

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Saudi Arabia: a calm oasis in a troubled region, Section IV

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NEWS SUMMARY

GENERAL

MPs will protest at Libya decision

The British Government will come under pressure in Parliament this week to explain why the Libyan People's Bureau in London was allowed to function as an embassy, especially after "students" took it over.

It will also face protests from MPs angry that the killer of a policeman will go free.

Britain decided to break off diplomatic relations with Libya and expel the Libyans in the bureau, who said they would leave hours before next Sunday's deadline. British diplomats will be withdrawn from Libya, and Italy is expected to represent British interests there in future, Page 5

BUSINESS

Sears Roebuck profits up 34%

SEARS ROEBUCK, biggest U.S. general merchandiser, said net earnings rose 34 per cent to \$213.8m, or 60 cents a share, in the first quarter, on group sales up 12 per cent to \$8.37bn. The improvement, in line with market predictions, points to the strength of U.S. consumer spending, Page 18

JAPAN'S four big securities houses - Nomura, Daiwa, Yamaichi and Nikko - returned record parent company turnover and profits for the six months to March, Page 21

CHARTER, Florida-based group, filed for protection under Chapter 11 of the U.S. bankruptcy code for the parent company and a quarter of its 200 subsidiaries. Only oil operations are affected, insurance operations are working normally, Page 18

Nigeria crackdown

Nigeria's military Government, in what it termed a "drastic" crackdown on currency smuggling, closed its land borders yesterday and announced it will replace its currency, the naira, an official broadcast said. The currency changeover will start on Wednesday with the withdrawal of 1-20 naira notes and be completed by May 6.

Angola bombing

Over 200 people, mostly Cuban and Soviet advisers and their families, died in a bomb attack on their hotel in Huambo, central Angola, UNITA right-wing guerrillas claimed.

Jail chiefs sacked

The head and deputy head of Spain's top-security Alcala-Meco prison were sacked after three inmates escaped using mock pistols made from soap.

Saudi Minister ousted

Saudi Health Minister Ghazi Ghusab, known for his drive against corruption in the ministry since being appointed in October, was dismissed, Page 2

French flight ban

French air traffic controllers will temporarily halt flights from main Paris airports today in protest at Government plans to restrict their right to strike.

Morocco amnesty

King Hassan is expected to proclaim an amnesty this summer for most of the 800 Moroccans jailed for food riots in January.

Bonn draft plan

West Germany will probably extend military service from 15 to 18 months next year, and begin recruiting women troops, to offset the falling number of eligible men, the Defence Ministry said.

Beirut talks falter

A security committee was struggling to keep alive a plan for separating combatants in Beirut, as consultations on forming a new Lebanese Government continued in Beirut and Damascus, Page 2

Camorra men escape

Three leading members of the Camorra - Naples' Mafia - who had collaborated with the police escaped from a detention centre after claiming their lives were in danger.

Gunmen kill mayor

Gunmen in the Philippines killed the mayor of Angadanan, 200 miles north of Manila, during Easter Mass - the fourth mayor killed in the run-up to the May 14 parliamentary elections.

Death on Everest

Bulgarian climber Hristo Ivanov Prodanov died after becoming the first man to climb Mount Everest by the west ridge without oxygen, his teammates reported.

U.S. export curb proposals draw fire from business

BY NANCY DUNNE IN WASHINGTON

Proposals by the U.S. Commerce Department to tighten its export licensing system have drawn fire from 250 American companies, trade associations and several countries.

In comments submitted to the Commerce Department, U.S. business almost universally condemns the proposed rules. They are described as "severely damaging" to U.S. exports, "unequivocally disastrous" to the country's economy and likely to "exacerbate the friction" which exists between the U.S. and its major trading partners over export controls.

Worst of all, say many companies, the proposed new rules, as well as crippling U.S. competitiveness, would either duplicate rules already in effect or would not be sophisticated enough to achieve the aim of preventing the illegal diversion of sensitive technology to the Communist bloc.

The proposed changes were advanced in January by the Commerce Department, which has been fighting off attempts by the Pentagon and the Customs service to play larger roles in the export control process. The new rules would affect the issuing of distribution licenses, which authorise U.S. exporters to make multiple shipments over an extended period under a single licence, rather than having to issue a licence for each shipment.

The regulations also govern the re-export of products to countries other than Nato members, Australia, New Zealand and Japan. They require foreign consignees to obtain

American purchases of foreign shares at peak

BY TERRY DODSWORTH IN NEW YORK

U.S. INVESTORS went on an unprecedented overseas equity buying spree last year, as their net purchases of foreign shares shot up to \$3.8bn, about 80 per cent more than the previous high of \$2.1bn established in 1980.

The UK stock market was the main beneficiary of this buying surge, according to the annual survey of the Securities Industry Association (SIA).

Net purchases of UK shares rose from \$218m in 1982 to \$1.13bn - about half the \$2.2bn invested in European equity markets. Net acquisitions of Japanese stocks doubled from \$478m to \$950m.

The interest of U.S. investors in foreign stock markets has shown a marked increase in the 1980s compared with the previous decade, says the SIA, when foreign investment in U.S. equities far outweighed U.S. activity overseas.

In the 1970s, foreigners made net purchases of \$21bn of U.S. equities, while U.S. investors were net buyers of only \$456m of foreign stocks.

The SIA warns that this change in U.S. investor psychology could have a longer-term impact in reducing net capital flows into the U.S. These flows have recently provided some leeway for the financing of the increasingly unfavourable U.S. trade balance. But the country's expenditure on foreign equities last year offset some 70 per cent of the capital inflow directed at U.S. stock market investment.

At \$5.4bn, foreign investment in U.S. equities was almost 40 per cent higher than in 1982, when it reached \$3.9bn, and only just below the record \$5.3bn set in 1981. Enthusiasm fell off towards the end of the year as the U.S. stock market began to mark time, but foreign investors still accounted for about 10.5 per cent of the value of shares traded on the New York Stock Exchange, up from 9.8 per cent in 1982.

European investors were particularly active, increasing their net purchases by 34 per cent to a record \$4bn, with UK purchasers leading at \$1.3bn, followed by the Swiss on \$1.3bn and the West Germans with \$1bn.

Industrial finance group seeks stakes in London stockbrokers

BY RAY MAUGHAN IN LONDON

INVESTORS in Industry (3i), which claims to be Britain's largest private-sector institution specialising in long-term industrial finance, is planning to join the resolving industry which is engulfing the UK securities industry by offering to take stakes in a number of leading London stockbroking firms.

Until last year 3i was known as Finance for Industry. It is owned by the Bank of England and nine English and Scottish commercial banks.

Eight broking partnerships have already been approached by 3i and an outline of its proposals to two more broking firms has been arranged this week. It is hoping to take minority, sleeping partner stakes in a number of firms.

These proposals have been set out with particular reference to the major changes now expected when the fixed commission structure of London Stock Exchange dealing is broken and the traditional distinction between brokers (agents) and jobbers (principals) disappears.

Mr Ewan Macpherson, a senior investment manager of 3i, believes that a number of large, if second-tier, broking firms require an injection of outside capital to maintain a full service in all domestic UK issues and to continue acting for their corporate clients in the secondary market.

Investment will be purely passive and restricted to within 10 and 20 per cent of a firm's capital, 3i has stressed. In return, 3i would expect to take a proportion of the issues handled by sponsoring brokers.

At the end of March last year, 3i had £758m of investments and loans to its company customers. Two months later, it was able to help Smith Brothers, the publicly quoted jobbing firm, to double its capital base by subscribing for new shares in conjunction with a rights issue and by subscribing for £25m of fixed-rate convertible paper. Smith has since welcomed N M Rothschild, the merchant bank, as a big shareholder in the recent round of new securities industry alliances.

Gandhi seeks to widen split in Punjab separatists

By John Elliott in New Delhi

THE INDIAN Government estimates it will take one to two months to overcome a hard core of 400-500 trained and well-armed Sikh terrorists who are behind most of the recent killings and violence in the northern state of Punjab.

Ten people have died in the state in the past three days, bringing the total number of deaths this month to nearly 60. In two separate incidents yesterday, an Indian Air Force squadron leader was backed to death in his home in Amritsar and six Sikhs were killed by paramilitary security forces in Ferozepur, one of the most turbulent areas near the Pakistani border.

The situation is the most critical faced by Mrs Indira Gandhi, India's Prime Minister, since she last took office over four years ago. It could affect her chances of winning the general election she must hold by next January. There appears, however, to be no chance at present of her trying to call a snap election to gain a fresh initiative.

The situation is complicated by reactions from Hindus, the religion of the majority in India, to Sikh violence. This may well be sharpened early next month when Punjab Hindus are planning a protest march to New Delhi.

"We should be able to break the back of the hard core within a couple of months or even less," M. M. K. Wali, Secretary of the New Delhi Home Ministry, said yesterday. The Government was trying to strengthen its intelligence operation and police morale, to catch and arrest enough of the hard core so that senior extremists leaders such as Sant Jarnail Bhindranwala, hiding in the Sikh Golden Temple in Amritsar, could no longer be effective, Mr Wali said.

The Government is coming under increasing pressure to take action to end the disturbances. Mrs Gandhi said yesterday that informal talks were taking place with moderate Sikh leaders through intermediaries. Ministers hope that a wide-open split between the militants and moderates over recent terrorist violence will encourage the moderates to seek a settlement.

Mrs Gandhi sought yesterday to deflect criticism of her handling of the situation by blaming "agents working at the behest of the big super powers" for interfering in the Punjab and trying to destabilise the country.

Although she was not specific, she is believed to have been referring to the United States.

Korea to open market to foreign banks

BY ANN CHARTERS IN SEOUL

SOUTH KOREA is to allow foreign banks to compete on an equal footing with domestic banks on the home market. The necessary structural changes are to be made gradually beginning this year, the Ministry of Finance announced at the weekend.

Foreign banks will from this year be allowed to join the National Banks Association - a group which confers on regulations and sets commissions and fees and the clearing house.

The definition of "capital" for foreign banks will also be broadened, giving them a larger base for their leading activities and for issuing guarantees and acceptances.

From next year branches of foreign banks will be able to participate in trust business and to have access to redempt facilities at the central bank for export financing. Full discount facilities on a par with those offered to domestic banks are scheduled to be available from 1986.

South Korea has been under pressure from its trading partners, in particular the U.S., to open its markets. This move on the services side could remove some of the complaints and simultaneously help to modernise the Korean banking system, which has lagged behind other

Tokyo offshore finance 'still alive'

BY JUREK MARTIN IN TOKYO

THE IDEA of establishing an offshore financial facility in Tokyo is still "alive" but not necessarily imminent, according to senior officials of the Japanese Finance Ministry.

The officials, in analysing the latest round of talks with the U.S. on liberalising the Japanese capital markets system, suggested that "serious consideration" might be given next year to drawing up a blueprint of such an offshore banking centre.

But they emphasised that such a move would only be countenanced in the wider context of the internationalisation of the yen and might have to take second place to the process of gradually removing controls from the domestic markets.

Although hedged with caution, this is the first acknowledgement in nearly two years that the once widely canvassed concept of setting up an offshore centre along London lines had not been expunged from official consideration.

It may reflect merely a desire by the Ministry of Finance not to be too dismissive of all the proposals put forward by the U.S. in the three recent bilateral discussions on reforming the Japanese markets. The U.S. Treasury has publicly expressed its frustrations at what it charges is an inadequate Japanese response to its representations.

In general, the officials gave little hint yesterday that the reform "package" promised for the end of next month would contain substantial concessions to the U.S. point of view.

They conceded that there had been a change in the Japanese attitude towards the U.S. point of view.

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OVERSEAS NEWS

Mozambique renegotiates dam pact

BY OUR JOHANNESBURG CORRESPONDENT

SOUTH AFRICA, Mozambique and Portugal are understood to have reached agreement on a new tariff for the output of Cabora Bassa hydro electricity dam in Mozambique, putting the massive project on a viable financial footing for the first time since its commercial operations began in 1978.

The agreement will be the first major economic benefit for Mozambique since last month's signing of a non-aggression pact with South Africa.

Mr Louis Nel, the South African Deputy Foreign Minister, was due back from his visit to the Mozambique capital of Matuto yesterday where he held talks on the dam with Government officials.

The dam was built in the 1960s and financed mainly by Portugal with the output going to the South African electrical power authority. The dam can provide up to 10 per cent of the Republic's needs.

At independence in 1975, Mozambique agreed to respect the terms of the agreement although it argued that the rate paid by South Africa was too low.

At the time of its inception the dam also played an important strategic role in Portugal's planning for what was then its colony. The irrigation potential was to provide an incentive for scores of thousands of Portuguese settlers, a scheme thwarted by independence.

Power lines from the dam to South Africa have been frequently sabotaged by Mozambique dissidents, and supplies have been cut entirely since 1981.

Under the new agreement it is thought that the tariff will

increase by up to 200 per cent. In the past, total receipts have gone towards repayment of the dam's initial cost but Mozambique officials say that the new tariff will provide the country with up to U.S.\$15m (£10.6m) a year.

Mozambique and South Africa are also believed to be considering a joint protection unit for the lines to protect it against further sabotage.

The disruption of power has cost Mozambique about \$600,000 a month in foreign exchange. The original agreement allowed Mozambique to "reimport" Cabora Bassa power at concessional rates from the South African grid which it paid in local currency.

However, the agreement stipulated that should the dam's power supply be interrupted Mozambique's imports of South African electricity would have to be paid for in foreign currency.

Swaziland is continuing its crackdown on members of the African National Congress (ANC) of South Africa, and is expected to expel ANC members from the country, according to reports from the capital in Mbabane.

It was disclosed last month that Swaziland signed a non-aggression pact with South Africa in February, 1983, but until now has tolerated an ANC presence. Over the past 10 days, however, there have been clashes between small ANC bands and Swazi security police.

The Swazi authorities have so far arrested about 50 armed insurgents thought to have entered the country from Mozambique, in the wake of the March 16 signing of the latter's non-aggression pact with Pretoria.

Poverty 'increasing' for black S. Africans

BY OUR JOHANNESBURG CORRESPONDENT

THE NUMBER of black South Africans living below the poverty line nearly doubled between 1980 and 1982, despite "real improvements" in incomes in the country's homelands, delegates to an inquiry on poverty in the Republic were told here.

The week-long conference sponsored by the Carnegie Foundation of the U.S., ended on Friday with a call for radical changes in influx control, citizenship provisions and land tenure.

In an address to the closing session, Prof Francis Wilson of Cape Town University, director of the Carnegie Inquiry, said that without radical reforms of "these pillars of the apartheid state," South Africa would be unable to achieve a fair and just society.

The 300 papers presented by a range of contributors from economists to doctors, lawyers and social workers, represents the most exhaustive assessment of poverty in the country since the first Carnegie inquiry 50 years ago, when commissioners investigated the poor white phenomenon of the time.

The work of the second inquiry began in April 1982, and the findings presented this week will be followed up over the next two years.

A paper on income distribution and poverty in South Africa's 10 black homelands by Dr Charles Simkins, an economist at the University of Cape Town, provoked the most discussion.

Contrary to conventional wisdom it revealed: "Wide spread and real substantial improvement in income (in the homelands) since 1980 and particularly since 1970." Almost no homeland families, the paper said, achieved the minimum living level in 1980, compared with 20 per cent in 1980.

On the other hand, it said, there has been a rise in the proportion of destitute households.

The study showed that the number of people receiving virtually no income had risen from 250,000 in 1980 to 1.43m in 1982. Those existing below the minimum living level had nearly doubled, from 4.9m to 8.9m over the same period. Of South Africa's population of 30m, 22m are black.

Job prospects for the homelands were poor, said Dr Wilson. The upsurge of local employment in the mining industry, which accompanied the fall in recruitment of foreign labour, had reached its limit and so probably had the creation of a new black civil service in the homelands.

Saudi Arabian Minister for Health dismissed

BY KATHY EVANS IN DUBAI

SAUDI ARABIA'S Health Minister, Dr Ghazi Gussabi, has been relieved of his post, according to a royal decree issued in Riyadh.

Dr Ghazi Gussabi assumed the post in October, having formerly held the portfolio of industry and electricity.

His dismissal from the cabinet touched off a round of speculation among Arab diplomats in the Gulf. He was regarded as the most powerful figure in the Council of Ministers apart from the King himself, Crown Prince Abdullah and two of the King's full brothers — Sultan, Minister of Defence, and Naif, Interior Minister.

Lebanon factions struggle to keep truce plan alive

BY NORA BOUSTANY IN BEIRUT

CONSULTATIONS OVER the formation of a new Lebanese Government continued in Damascus and Beirut yesterday, while the multi-faction security committee scrambled to keep alive a disengagement plan for the separation of combatants.

Residents reported some shelling of east Beirut, after a dispute arose over the evacuation of some key positions straddling the Christian and Muslim halves of the capital.

A special security committee grouping representatives of the Lebanese "Army," the Christian militias known as the Lebanese Forces, the mainly Druze Progressive Socialist Party and the Muslim Shite Amal Movement met yesterday to iron out differences over the exact limitations of a buffer zone.

Under the disengagement plan, Lebanese guerrillas and new recruits are to be taken between Muslim and Druze fighters on one side and Christian militiamen and army regulars on the other.

Former Prime Minister Rashid Karami, a Sunni Moslem from the northern town of Tripoli, met with Syrian President Hafez Assad in Damascus yesterday. Mr Karami who headed the Council of Ministers in 1975, when the Lebanese civil war broke out, is tipped to head the new Cabinet. Mr Walid Jumblatt, the Druze leader, and Mr Neih Berri, the Amal leader, also took part in the talks.

Efforts to create a new government have gained momentum following the summit meeting between Mr Assad and President Amin Gemayel of Lebanon last week. A relative relaxation of security conditions in Beirut followed the meeting.

The Lebanese Forces have rejected participation in the new Cabinet, on grounds that they will never recognise a government that has been the product of consultations in the Syrian capital.

PLO talks on unity end in Algiers

FOUR days of talks aimed at restoring unity to the deeply divided Palestine Liberation Organisation (PLO) ended in Algiers on Sunday night and a final communiqué will be issued today, according to AFS, the Algerian news agency, monitored in Paris; Reuters reports.

The aim of the talks was to find a common platform on PLO strategy to clear the way for a session of the Palestine National Council (parliament-in-exile).

The discussions involved Mr Yasser Arafat's mainstream Fatah organisation and two hardline but independent organisations, the PFLP, led by Mr George Habbash, and the DFLP, led by Nayef Hawatmeh.

France rebuffs Gadafi on Chad

By David Marsh in Paris

THE FRENCH Government yesterday delivered a rebuff to Col Muammar Gadafi over the Libyan leader's renewed call of the weekend for France to pull its peace-keeping troops out of Chad.

Commenting on Col Gadafi's claim that Chad was "an extension" of Libya, the Foreign Ministry in Paris said that French soldiers were in Chad in agreement with the country's government and in compliance with French respect for "the sovereignty and independence of all countries within their internationally recognised boundaries."

By contrast, plant and equipment expenditures appear to be steadily strengthening. Shipment of capital goods in January showed a strong gain of 2.2 per cent after seasonal adjustment from the preceding month, while the Economic Planning Agency's survey of corporate capital investment (conducted in December 1983) revealed that capital spending planned for the first three months of this year exceeds the preceding quarter's level in both the manufacturing and non-manufacturing sectors.

The Bank of Japan's short-term business outlook survey also noted widespread moves among smaller enterprises to revise capital investment programs upward. A rise of operating rates and improvement of corporate profits are also likely to add to the gain in capital investment in the future.

With consumer demand unlikely to make any quick recovery and help from government spending almost ruled out, business recovery for the time being will be led by expanding exports and recovering business investment.



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DKB ECONOMIC REPORT April 1984: Vol. 13, No. 4

Japan's economy on recovery path led by exports and business investment

On March 2, the yen's exchange rate against the dollar shot up from 233 to 229 in thin trading on the New York foreign exchange market, and the following week, the yen soared past 230 in the Tokyo market, too.

The yen's somewhat abrupt strengthening took place in the absence of changes in fundamental factors dictating the alignment of the two currencies, such as interest rate differentials. But there was a background that made the development look possible at any moment. That was the continuous rise of the German mark against the dollar, to contrast with the stabilized position of the yen against the U.S. currency, namely between 233 and 235.

After hitting bottom on January 9, the mark kept steadily strengthening against the dollar and, by March 1, the day before the yen's sudden rise, it had firmed up by 9.7 per cent from the low point of January 9. This translated into a decline of 8.7 per cent in the yen's value against the mark, from ¥82.17 to ¥90.04. It was natural, therefore, that buying forces turned to the yen, which looked relatively undervalued, when the mark's rise had run its course. If it is assumed that the yen is to rise to its rate vis-à-vis the mark on January 9 and the mark's rate to the dollar is fixed at the level on March 1, the yen's theoretical rate to the dollar would be 213.

If the yen's strengthening is in the neighborhood of 230 for the time being, the Japanese economy will benefit from a resultant further stabilization of prices and improvement of corporate profits. It also will provide greater leeway for the use of the monetary policy to stimulate business. Meanwhile, the impact on exports will be relatively slight if the yen does not strengthen past the level of 220.

Various economic indicators announced successively toward the end of January through early February clarified the shape of the economy in 1983 in statistical terms.

First of all, mining and manufacturing production rose 3.6 per cent, demonstrating that 1983 was "a year of recovery" because the performance compared with an increase of 1.0 per cent in 1981 and 0.3 per cent in 1982. Production in January of 1983 was 1.5 per cent lower than a year earlier, but it overtook the year-earlier level in March and came 9.6 per cent ahead of the year-earlier level in December. This movement served as an illustration that gains in production accelerated as the year went on.

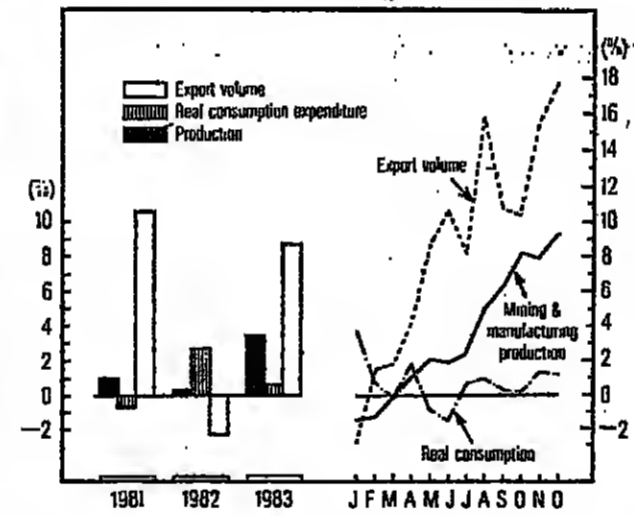
Recovery of production was accompanied by a decline in the producers' finished products inventory ratio index (the 1980 average as 100) from 103.9 in January to 92.9 in December. The operating rate index, to the contrary, rose from 92.1 to 99.2 during the same period. Overtime in the manufacturing industry was 9.2 per cent lower than a year earlier in January but came out 15.5 per cent ahead in December.

Expansion of production was led by exports, which increased 8.7 per cent in volume. Imports also started to pick up after September and reached a level 17.5 per cent higher than a year earlier in December. For the year as a whole, however, imports gained a modest 1.2 per cent. A rapid expansion of exports and a contrastingly slow increase in imports left a surplus of \$31.6 billion in the trade account and \$21 billion in the current account, both records.

Domestic demand lagged behind exports in recovery. Inflation-adjusted household consumption expenditures increased by a mere 0.6 per cent, which compared with the 3.7 per cent increase for the preceding year. Housing starts also fared poorly, declining 0.8 per cent to 1,136,000.

Stagnant consumption and housing were basically attributable to a slow increase—1.3 per cent—in in-

Japan's Major Economic Indicators for 1983



Source: Prime Minister's Office and Ministry of International Trade & Industry

11.5 per cent, respectively.

By market, exports to the United States rose particularly sharply, 34.8 per cent in dollar value over a year ago. The country accounted for 80.8 per cent of the increase in Japan's exports during the month, up from the comparable percentage of 80.1 per cent in 1983.

By commodity, office equipment, semiconductors and other electronics products and videotape recorders increased sharply following the same trend as last year.

Still sluggish personal demand

In domestic demand, personal consumption showed some signs of recovery to January. For one thing, the year-to-year gain of the monthly average of the outstanding balance of the Bank of Japan notes issued broadened from 3.5 per cent in November to 3.8 per cent in December and to 3.9 per cent in January. Likewise, growth of sales at large-scale retail outlets (supermarkets and department stores) accelerated from an increase of 3.1 per cent in December to 4.7 per cent in January, but this is considered to have reflected a temporary rise in sales of heating equipment and clothing in the midst of heavy snowfall and exceptionally cold weather.

Consumption still lacks convincing vigor, and a change in the trend, if any, is expected to come after the spring wage settlements, which are bound to

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April 1984

Warning shots fired in West German missile base protest

By James Buchan in Bonn

MORE THAN 100,000 West Germans took part in demonstrations over the Easter holiday to protest against the deployment of U.S. nuclear missiles in the country.

Warning shots were fired by a guard at the U.S. missile base at Mutlangen, in south-west Germany, in the most serious confrontation so far between U.S. servicemen and the West German peace movement.

Three rounds were fired into the air after four demonstrators attempted to cut through the inner perimeter fence to the base, where a first batch of nine Pershing 2 ballistic missiles was stationed last November. The four and some 30 other demonstrators were temporarily held by West German police.

The high turnout in the

splendid weather, though lower than last Easter or during the peak of the campaign against deployment last autumn, indicates that the peace movement is still a body of opinion to be reckoned with.

Many demonstrators, notably in the Ruhr industrial area, carried placards protesting against unemployment and for the introduction of a 35-hour week, which looks set to be fought out through strike action by the country's largest union, IG Metall, in May.

Except at Mutlangen, the only serious incidents occurred at Carlestedt, north of Bremen, where police used water cannon and tear gas to clear demonstrators blocking access to the U.S. tank base on Thursday and Friday. At least six people were injured and 160 temporarily held.

Easter eggs roll in Dutch anti-cruise demonstration

By Walter Ellis in Amsterdam

ANTI-CRUISE missile demonstrations in the Netherlands passed off quietly over the Easter weekend. The peace movement's momentum has yet to build and much larger protests are planned for later in the year.

Yesterday, three demonstrators managed to cut their way through the perimeter fence of the Woensdrecht air force base, in the far south of the country, which has been selected as the site for cruise deployment in the Netherlands. But all they did was to roll Easter eggs down a gentle slope watched by several scores of their fellows.

The number of Dutch soldiers stationed at Woensdrecht was increased sharply last month following an earlier protest.

A final decision on whether the Netherlands will accept its intended consignment of 48 cruise weapons is not due to be taken until June. The issue remains extremely divisive, and

a "No" vote could bring down the 18-month-old centre-right coalition of Christian Democrats and Liberals.

Mr Ed Nijpels, the Liberal leader, heads the only large Dutch party which is wholeheartedly committed to cruise. The Christian Democrats are badly split and most of the opposition is against. But even the Liberals are now starting to feel the pressure and in a week-end interview Mr Nijpels felt obliged to point out that a rumour to the effect that the Netherlands might be able to store its missiles in a neighbouring country in peacetime, was an absolute non-starter.

Mr Nijpels said he was aware that between nine and 14 Christian Democrat MPs were opposed to deployment. They would, however, have to look for some other way out of their dilemma.

The Cabinet, he added, needed to take a decision and take it quickly.

De Lorean juggles with drug and bankruptcy trials

By Louise Kehoe in San Francisco

MR JOHN DE LOREAN'S trial on drug trafficking charges got under way in Los Angeles last week, but as prosecutors accused him of "reaching down into the depths of the narcotics underworld" to save his sports car company, Mr De Lorean appeared to have his mind on other matters.

Despite the gravity of the charges against him, Mr De Lorean's immediate concerns were to do with money. Bankruptcy court hearings for De Lorean Motors in Detroit threaten to cut off funds that Mr De Lorean says he needs to pay his high-priced defence lawyers.

De Lorean already owes his lawyers \$300,000 (\$214,000) and a scheme to sign over his San Diego estate, worth about \$2.5m, to pay for their services has been stymied by a bankruptcy court ruling. In Detroit, Mr De Lorean has been accused by the bankruptcy court judge of co-mingling corporate funds (of the De Lorean Motor Company) with his personal funds.

During breaks in the Los Angeles trial Mr De Lorean rushed to phone Detroit and tried to set up a conference call between his lawyers, the judge in Los Angeles and the bankruptcy court judge in Detroit.

Mr De Lorean has been subpoenaed to appear before a Grand Jury in Detroit to answer questions about his company's

finances next month. Now the judges in Detroit and Los Angeles must decide which case takes precedence—the bankruptcy or the criminal trial.

For the moment, however, Mr De Lorean is planning to spend the next six to eight weeks at his Los Angeles trial. Opening statements in the trial painted him variously as "a man whose dream turned into a nightmare, a nightmare of failure, drugs, jail and disgrace"—according to the prosecutor—or as a victim of the relentless efforts of a group of bloodthirsty undercover FBI agents who were "out to get him" as his defenders put it.

The jury heard excerpts from recorded telephone conversations between Mr De Lorean and an undercover FBI agent. In the first tape, Mr De Lorean is apparently trying to persuade the agent to play the part of a crooked banker—to cancel the deal.

Curiously, in a conversation said to have taken place the following day, Mr De Lorean agrees to provide a list of his financial purchases of heroin and cocaine.

Mr De Lorean's lawyers have alleged that the undercover agents framed their client and Mr De Lorean alleges that Mr James T. Hoffman, chief prosecution witness and a convicted drug dealer, threatened the lives of the De Lorean's two children if he backed out of the drug deal.

Warsaw Pact declaration welcomed

By Leslie Collett in Berlin

HERR Hans Dietrich Genscher, the West German Foreign Minister, yesterday welcomed the "constructive basic tone" of the Warsaw Pact declaration issued in Budapest at the weekend after a meeting of the Alliance's foreign ministers.

Herr Genscher said the Warsaw Pact had explicitly picked up a signal given last December by Nato's declaration in Brussels. He said that the Budapest communiqué's view that all problems could be solved by negotiations was shared by the Bonn Government, as was the Pact statement that "no chance should remain untested in order to return to the path of negotiations."

The Warsaw Pact declaration also called for an end to the deployment of medium-range U.S. missiles in Western Europe. But this demand, followed by a number of conciliatory soundings offers in the Budapest communiqué. The foreign ministers said they were convinced there was no issue which "could not be solved by negotiations."

Italian Foreign Minister Mr Giulio Andreotti held talks in Moscow with Mr Andrei Gromyko, the Soviet Foreign Minister, yesterday.

SOLDIERS PARADE IN BRASILIA

Brazil deadlock over direct elections

By Andrew Whitley in Rio de Janeiro

ON THE EVE of tomorrow's crucial vote in Congress to restore direct general elections to Brazil this year, the prospect of either a negotiated solution to the present political impasse or the threat of a military crackdown both hung in the air.

A rare military parade of soldiers of the Regional Command was held last night, implicitly backing up a warning to the Left when the premises of two Communist weeklies were attacked on Sunday.

Last week President Joao Figueiredo warned politicians of "the dangers of another 1964," referring to the political turmoil which led to the military coup d'état that year.

Meanwhile, a small group of influential state governors from both sides of the political divide have come forward with a new compromise proposal which could form a credible basis for negotiation.

This would give the next president, due to take over in March, an interim mandate of two years. He would be in charge of organising direct elections in 1986.

The five state governors, who met over the weekend in the historic city of Ouro Verde in Minas Gerais state, were Srs Franco, Montoro, Taócredo Neves and Jose Rubia from the opposition Partido do Movimento Democrático Brasileiro, and Sr Roberto Magalães and Sr Espiridiao Amin of the officially-backed Partido Democrático Social.

Their initiative stands a reasonable chance of success. But it is unlikely to be welcomed openly by either the Pro-Direct Elections umbrella

organisation, responsible for the opposition's concerted campaign of the past three months, or by the hardliners around President Figueiredo.

General Octavio Medeiros, the national intelligence chief, perhaps the most influential voice in the presidency, said over the weekend that the minimum presidential mandate should be five years, with no direct elections in Brazil before 1989.

This conflicts openly with the Government's proposed constitutional amendment, sent to Congress last week,

Bechtel denies bribe allegation

BECHTEL, the U.S. construction company, denied yesterday allegations that it had paid large amounts to South Korean officials between 1978 and 1980 to win nuclear plant contracts, Reuter reports from Seoul.

Mr John Robb, vice-president of Bechtel International based in Seoul, described the allegations as extremely serious.

"Bechtel's policy regarding ethical business conduct is very clear and prohibits any illegal payments to anyone. This policy is vigorously and strictly enforced," he said.

Stewart Fleming adds from Washington: The U.S. Justice Department is believed to be investigating allegations that a Bechtel employee bribed South Korean officials between 1978 and 1980, possibly violating the foreign corrupt practices Act. The allegations were made by the West Coast magazine "Mother Jones".

Justice Department officials denied that the actions of either Mr George Shultz, Secretary of State, or Mr Caspar Weinberger, Secretary of Defence, were part of the investigation. Both Mr Shultz and Mr Weinberger were employees of Bechtel at the time.

The published reports making the allegations against Bechtel contained no suggestions that either Mr Shultz or Mr Weinberger knew about the alleged violations of U.S. law.

IMF set to review Chile plan

By Peter Montagnon, Euromarkets Correspondent

THE International Monetary Fund has told Chile's commercial bank creditors that it will consider this year's economic programme for formal approval once they have committed the bulk of the \$780m (£550m) loan Chile is seeking to cover its balance of payments deficit this year.

Consideration of the programme by the IMF's executive board was postponed earlier this month following the resignation of Sr Carlos Cáceres as Finance Minister. Executive board approval of the programme is needed for Chile to make further drawings on the \$875m loan facility agreed last year.

In a telex to the banks Mr William Dale, deputy managing director of the IMF now says, however, that Sr Luis Escobar, the new Economy Minister, has confirmed his commitment to the measures set out in this year's letter of intent to the IMF.

Bankers now hope that the IMF will formally approve Chile's programme early next month. Creditor banks have

been asked to reply to Chile's loan request by April 27, and it is understood that the loan has to be 90 per cent covered before the programme goes to the IMF board.

Approval of Peru's IMF programme has also been delayed by the resignation of Sr Carlos Rodriguez-Pastor as Finance Minister. The IMF has said it will consider the programme, but it is waiting for Peru to start implementing the measures it contains before submitting it to the Executive Board.

Argentine trial to hear publisher

Sr Jacobo Timerman, a former newspaper publisher, said yesterday he would testify before the supreme military tribunal this week in the human rights case against Argentina's former military leaders, Reuter reports from Buenos Aires.

Sr Timerman was held for more than two years, between 1977 and 1979, by Argentina's military government without being formally charged. In a book he wrote about the experience, Sr Timerman told of torture he suffered in prison and implicated high-ranking military officials.

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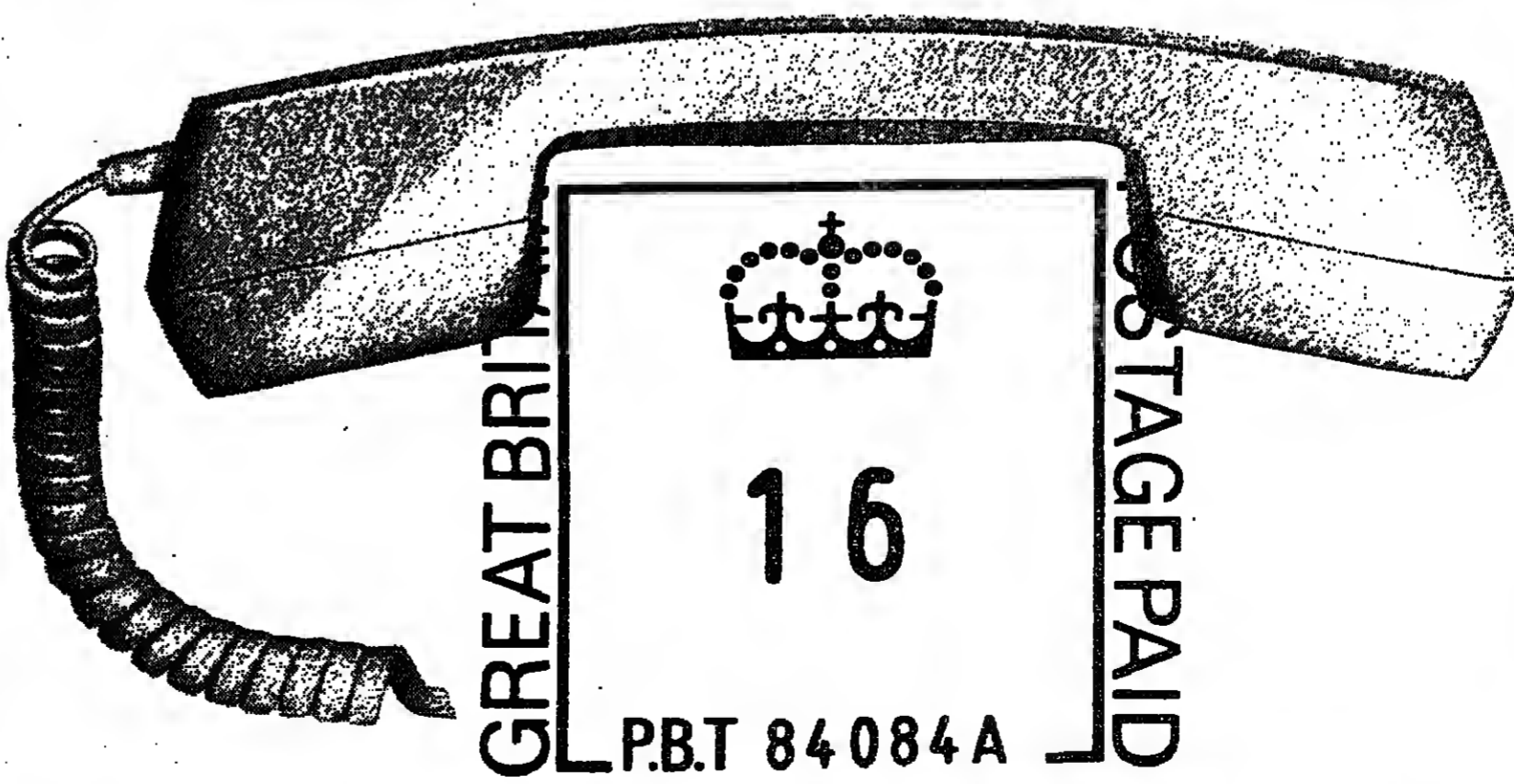
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NOTICE



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US\$25,000,000

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In accordance with the provision of the Notes, notice is hereby given that for the six-month interest period from 23rd April, 1984, to 23rd October, 1984, the Notes will carry an interest rate of 11½ per cent per annum and the Coupon amount per US\$5,000 will be US\$292.29. Interest payment date is 23rd October, 1984.

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WORLD TRADE NEWS

Three new European satellites planned

By Peter Marsh
EUTELSAT, the international organisation that operates communications satellites for Western Europe, is to invite tenders for a new series of space vehicles.

The Paris-based body which administers satellites on behalf of state-owned telecommunications agencies, will issue a formal request for the new hardware by the end of the year.

Eutelsat wants three more satellites costing about \$200m to be built to supplement the five space vehicles which it has already ordered.

British Aerospace is building the first five satellites, called the ECS series. One is already in orbit, with a second due to enter space in August aboard Western Europe's Ariane rocket. Two more will take up position in the heavens by 1988, while the remaining vehicle will act as a spare.

The new vehicles, to be called the ECS-A generation, will replace the satellites in the current series after they have worn out. The ECS-A craft will have a higher capacity.

They will channel TV and telecommunications signals using up to 16 transponders—devices that receive and re-transmit radio waves—compared with nine on the current craft.

Eutelsat says it will place contracts for the new satellites next year.

Howe optimism on Korea trade

SIR GEOFFREY HOWE, the UK Foreign Secretary, yesterday stressed the importance of expanded trade links with South Korea during his four-day visit to the country.

He is understood to have told South Korea that the UK would like imports of six products liberalised, including whisky, gin and high quality clothing.

Sir Geoffrey said he had emphasised the expansion of joint ventures between British and Korean companies to their own countries and in third nations.

He was optimistic that the imbalance in bilateral trade, worth \$1.5bn last year but running two to one in South Korea's favour, would be corrected.

Strong rise in Italian machine tool orders

By James Burton in Rome
FOREIGN orders for Italian machine tools rose almost 75 per cent in the first quarter of this year compared with the same period of 1983.

The rise confirms the trend in orders which began with the last quarter of 1983.

No figures for the size of the export orders were given by Uchim, the Italian machine tool makers' association. Last year Italy exported 1856bn (\$372m) worth of machine tools, against imports of 1250bn. It is the fourth largest machine tool exporter, after Japan, West Germany and the U.S.

Though gratified by the evidence of the upturn which the figures show, Uchim points out that in real terms foreign orders are still running 25 per cent below their 1980 level.

Domestic orders for the industry were up by 49 per cent in the first quarter, making a total rise in the industry's orders of 61 per cent. The rise in domestic orders is partly due to a law temporarily favouring companies which invest in new machine tools.

EXPORTS of Scotch whisky to Italy, worth about \$50m last year, have received an important boost with the Rome government's decision to cut the rate of value added tax on spirits. Vat on whisky, gin and other imported spirits has been cut from 38 to 30 per cent, and will go down to 28 per cent on January 1 1986.

The Italian government lowered the tax in response to a European Court judgement which ruled that the differential in Vat rates discriminated against imports.

Under the same judgement, Mr Nigel Lawson, the British Chancellor, lowered the duty on wine and raised it on beer in the March budget.

The government's move has aroused protests from Italian wine producers. The Government has also raised the Vat rate on sparkling wine from 20 to 30 per cent and will lift it to 38 per cent in January 1986, bringing it into line with French Champagne.

UK benefits from Peking coal plans

By Maurice Samuelson

THE Chinese Government has told British Companies it wants them to establish jointly owned factories to make sophisticated coal mining equipment and other machinery for use in its expanding coal industry.

Gao Yangwen, China's Coal Industry Minister, last week led a group of officials on a 12-day visit to London during which they signed a string of agreements with Shell, the National Coal Board and UK mining equipment suppliers.

Shell agreed to conduct a feasibility study on the development of the Jining No. 2 mine at Yanzhou in Shandong province, which is expected to cost \$300m.

If the mine is developed, Shell will purchase half of its 4m tonnes a year output.

The National Coal Board was invited to study the extension and reconstruction of a mine in the Kailuan mining complex in Hebei province, north-east of Peking. Although concentrating initially on one mine, the agreement anticipates co-operation elsewhere in the complex, output from which is to be raised from 20m tonnes a year to 35m tonnes. This extension could open further export opportunities for UK private manufacturers.

discussed joint production in China of British-designed roof supports and coal shearers. It already has outline agreements with Anderson Strathclyde, British Jeffrey Diamonds, and Gullick Dobson, Dowty Mining International is also expected to agree to joint production of roof supports in China.

The Chinese had discussions about coal gasification with a number of UK concerns, including the British Gas Corporation, Davy McKee, Humphries and Glasgow and Babcock International. These companies will shortly start to test samples of Chinese coal.

Gao, who was in London as a guest of Mr Peter Walker, the Energy Secretary, said that as part of his country's programme for doubling coal output to 1.2bn tonnes a year by the end of the century, it was now spending several hundred million dollars a year on imported equipment.

To save foreign currency China prefers to establish joint manufacturing units. "Our market is immense and the prospects are bright," Gao said. He added that British equipment compared well with Japanese, West German and American products, but that it could be "much more competitively priced."

U.S. and China in electronics joint venture

By Paul Taylor in New York

HEWLETT-Packard (HP), the U.S. computer and electronics products group, plans to set up a joint venture company with the China Electronics Import and Export Corp (CEIEC) to sell and support HP products in China and manufacture some computer and electronic instrumentation equipment.

The new company, called China-Hewlett-Packard will be a 50/50 joint venture. Final agreement on the joint venture is subject to U.S. and Chinese government approval. CEIEC is a Peking-based foreign trade organisation within the Chinese government's Ministry of Electronics Industry.

Under the terms of the agreement, HP will set up a headquarters for the new company in Peking with a factory to

TOSHIBA of Japan has reached agreement with the U.S. company Motorola to produce special integrated circuit chips used as key components for AM (amplitude modulation) stereo broadcasting receivers, AP-DJ reports from Tokyo. Motorola will provide Toshiba with technical data on its patented IC chip, while Toshiba will produce and market the chips worldwide under its own brand. AM programmes are currently broadcast only in the U.S. and mainly received on car radios, but Toshiba expects increasing interest in the system because it can transmit over longer distances than FM stereo.

IC chip, while Toshiba will produce and market the chips worldwide under its own brand. AM programmes are currently broadcast only in the U.S. and mainly received on car radios, but Toshiba expects increasing interest in the system because it can transmit over longer distances than FM stereo.

contribution in terms of both technological capability and management techniques."

John Davies adds from Frankfurt: A West German brewery is planning to produce beer in China in a DM 50m (£13m) joint venture with the Chinese. Panlauer-Salvator-Thomasbrau, a major brewer in Munich, envisages a plant to brew 300,000 hectolitres of beer a year—half for consumption in China and half for export via Hong Kong.

A final contract with the Shen Zhen Foodstuff and Beverage Industrial Corporation is expected in a few months. Production would start up in about two years on a site in the Shen Zhen economic zone close to Hong Kong.

Japanese-Saudi venture wins UAE bridge deal

By Kathy Evans in Dubai

A SAUDI-JAPANESE joint venture has won the contract to build an eight-mile long bridge linking Abu Dhabi city with Saadiyat Island. The joint venture is composed of the Bin Ladin Organisation, based in Jeddah, and Shimizu Construction of Japan.

The group won the contract against bids from consortia from Germany, Sweden, South Korea and France. The winning bid came in two forms. The first price of \$289.8m was based on no advance payment during construction being provided by the Abu Dhabi Planning Depart-

ment. The second, lower price of \$287.1m, assumed an advance payment of 5 per cent.

In the heyday of construction in the Gulf region, advance payments of 25 per cent were normal. Now, international and local companies are deemed hungry for work.

Their withdrawal has made many international contractors hesitant to bid for major contracts in Abu Dhabi. A spokesman for the Bin Ladin group commented: "Only certain contractors can bear the financial burden of not having an advance payment."

Missile attack fails to lift Gulf tanker rates

FINANCIAL TIMES REPORTER

GULF tanker rates have remained stable following the latest missile attack on a tanker, but a number of deals are being concluded privately.

Of those fixings reported in the Gulf area, Shell concluded one for a 308,000 ton ship to Southeast Asia at Worldscale 27, and another for a 240,000 ton tanker to the UK at the same rate. On smaller ships, a 120,000 ton vessel was fixed for Rotterdam at Worldscale 42.5.

Calbraith's believes some 35 large tankers are in position in the Gulf so it is difficult to envisage any strong upward rate movement.

The most active region has been the Mediterranean where 30 or more deals were done last week. Exxon paid Worldscale 67.5 to move 80,000 tons across the Mediterranean and Golden Eagle took a 75,000-ton tanker with a 55,000-ton cargo from Arzew to Quebec at Worldscale 55.

In the bulk trades, the larger tonnage continues to get the best

rates, but smaller tankers are slowly improving. The main grain trades have been conspicuous by their absence with no Gulf/Europe or Japan fixtures reported.

Time charter activity has also been in the big sizes though the Russians are said to be looking for early charters in the Atlantic.

High losses forecast on West German export credit cover

By John Davies in Frankfurt

WEST GERMANY is expecting a deficit of about DM 1bn (£268m) a year in its export credit insurance scheme for the next four years. The scheme notched up a deficit of DM 730m last year, as exporters sought compensation after failing to get payments from abroad.

Although that shortfall was less than feared, it was a sharp turnaround from the surplus of DM 34m made in 1982. More than half the compensation paid last year covered business with Poland and a quarter business with Nigeria.

West Germany's export credit insurance scheme is operated on behalf of the Bonn Government through a company, Hermes, which is largely owned by Munich Re-Insurance and the closely related Allianz Insurance. It normally covers just under 10 per cent of West Germany's exports, mainly to developing countries.

Although details of last year's performance have not yet been published, officials disclosed that the bulk of compensation to exporters amounted to DM 1.4bn for payments they failed to receive, because of "political factors", including currency difficulties. Pressure on Hermes' finances was worse because the money

brought in by way of premiums from exporters totalled only DM 569m, about 15 per cent less than in 1982. The net deficit of DM 730m is regarded as relatively favourable, however, as officials had feared a deficit of DM 1bn or more. Nevertheless it will place a burden on the Federal Government's finances at a time when it is trying to reduce borrowing.

In the coming years, Hermes is likely to suffer the impact of the debt problems in Brazil and Mexico. The Federal Government recently raised fees for Hermes insurance cover by an average of 40 per cent to try to help meet the larger deficits. The increase was due to come into effect last October but exporters won a reprieve of six months.

Hermes' financial problems are viewed with mixed feelings in West Germany. There are strong views that export credit insurance should operate according to free market principles, rather than be subsidised, but some exporters argue that the scheme should be seen in the long term, as Hermes has made profits for the Government for about 30 years. They also argue that the deficits may be offset by the eventual recovery of outstanding debts from abroad.

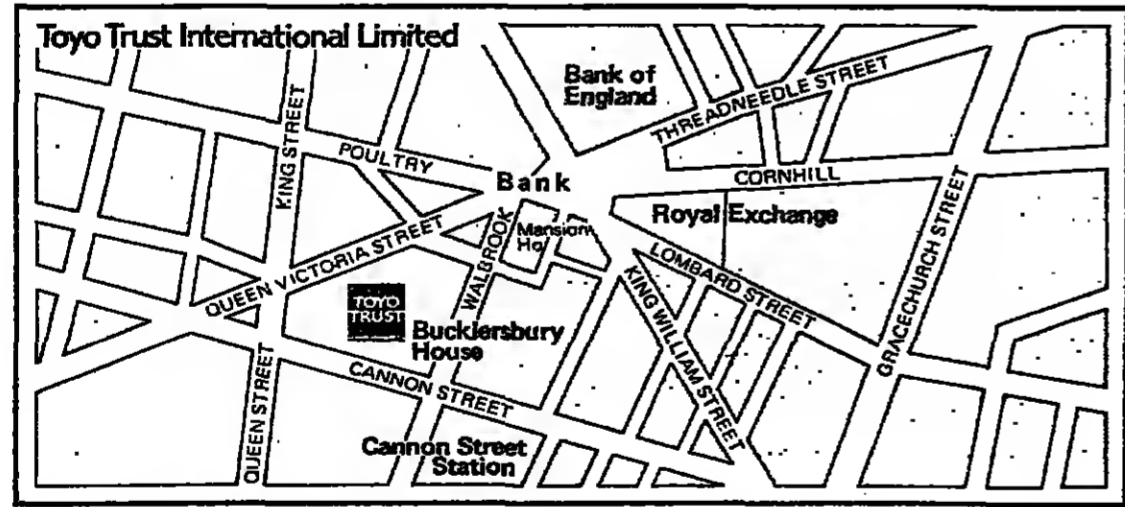
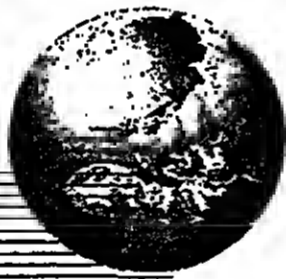
WORLD ECONOMIC INDICATORS

	UNEMPLOYMENT	1984			
		Mar '84	Feb '84	Jan '84	Mar '83
UK	000s	3,143	3,186	3,200	3,172
	%	12.2	13.4	13.4	13.4
U.S.	000s	8,772	8,801	9,026	11,419
	%	7.5	7.8	8.0	10.3
W. Germany	000s	2,537	2,539	2,549	2,536
	%	9.4	9.4	8.1	9.4
France	000s	2,258	2,252	2,227	2,080
	%	9.9	9.9	9.8	9.2
Netherlands	000s	857	863	854	779
	%	15.2	15.4	15.3	14.5
Italy	000s	2,972	2,940	2,830	2,702
	%	13.1	13.1	12.5	12.0
Belgium	000s	589	602	606	574
	%	14.4	14.7	14.8	14.1
Japan	000s	1,485	1,430	1,520	1,600
	%	12.7	12.6	13.6	14.8

Source (average U.S., U.K., Japan): Eurostat

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

May 1-3 All Electronics ECTF Show (0799 26899) Barbican
 May 1-3 Fibre Optics Exhibition and Conference (0799 26899) Whitbread Porters Fun Rooms
 May 1-3 International Air Cargo Exhibition and Conference (St Albans) (0727) 68833) Manchester
 May 2-Oct 21 International Garden Festival (081-236 6080) Liverpool
 May 9-11 Southern Aids for the Disabled Exhibition and Conference (Tunbridge Wells) (0892) 44027) Brighton
 May 13-15 British Craft Trade Fair (0282 65912) Harrogate

May 15-17 Micrographics '84 Exhibition and Conference (Godalming) (04863) 6653) Bloomsbury Crest Hotel, WCI
 May 15-17 DEC User Show (01-637 3699) Canard International Hotel, W0
 May 20-23 Business to Business Exhibition (01-729 0677) Barbican
 May 21-25 International Fire Safety Conference and Exhibition (01-248 4277) NEC, Birmingham
 May 22-24 Riba computer exhibition and conference (01-637 8991) Bloomsbury Crest Hotel
 May 22-25 Chelsea Flower Show (01-834 4833) Royal Hospital, SW3
 May 23-June 1 International Wine and Spirit Trade Fair (01-940 6065) Olympia

OVERSEAS TRADE FAIRS

April 24-27 Food and Hotel Asia (01-496 1951) Singapore
 April 30-May 4 Direct Marketing Symposium and Exhibition (01-769 43 20) Montreal
 May 5-9 Systems Components and Materials for Industrialised Building Sector Exhibition (01-496 1951) Milan
 May 10-13 Asian Automotive and Accessories Exhibition (Guildford) (0453) 38085) Singapore

May 10-16 International Packaging Exhibition and Display of Confectionery Machinery - INTIPACK (01-493 3693) Dusseldorf
 May 20-27 International Aerospace Exhibition (01-651 2191) Hannover
 May 22-25 Asian International Electronic Communications Exhibition and Conference - COMMUNICASIA (01-496 1951) Singapore
 June 4-7 Gas Turbine Exhibition and Conference (Georgie) 30341) Amsterdam
 June 4-7 Robots 8 Exposition and Conference, (313) 271-1080 Detroit

BUSINESS CONFERENCES

April 25-27 Insig: Banks and computers (1) 763.07.24 Paris
 April 26-28 Progress Foundation / IMF: Money - a search for common ground (091) 68 92 89 Lugano, Switzerland
 May 3 Institute of Directors: New legislative threats to directors (01-388 1811) Café Royal, W1
 May 3-4 FT/The Banker: World gold conference (01-621 1355) Hong Kong
 May 9 Longman Seminars: The electronic banking revolution - legal and security problems (01-242 2648) Barbican
 May 10 IWP: Electronic mail in practice (01-242 8697) Cavendish Conference Centre
 May 11 Longman Seminars: The Lloyd's Act (01-242 2648) Barbican
 May 13-14 M&B: Law and business in the UAE (01-404 5613) Abu Dhabi

May 15 Business Briefings: Acting for Lloyd's underwriters, taxation planning and advice (01-381 1294) Waldorf Hotel, WC2
 May 16 Institute of Marketing: Marketing for profit (Bourne End) (06285) 24922) Royal Lancaster Hotel, W3
 May 18 Institution of Taxation: Finance Bill 1984 (01-235 8847) InterContinental Hotel, W1
 May 18 Longman Seminars/International Media Law: the media and the law (01-242 2648) Barbican
 May 22 International Reports/FT: Sovereign debt and the banks (212) 477 0003) New York
 May 22 ESC: USM: listing or private placing? (Uppingham) (0579) 822711) Piccadilly Hotel, W1
 May 22-24 Royal Institute of Navigation: Global civil satellite navigation systems (01-589 5021) Novotel, W6
 May 23-24 FT Conference: Siley - World FT motor conference (01-621 1355) Barbican

UK NEWS

Tories face an all-party attack over Libya affair

BY MARGARET VAN HATTEM

THE BRITISH Government will come under pressure from all sides of parliament, when sittings resume tomorrow, to explain why the Libyan People's Bureau was permitted to function as an embassy, particularly after Libyan "students" took control of it in February.

It can also expect strong attacks from Conservative right wingers who are outraged that the killers of Woman Police Constable Yvonne Fletcher are to go free.

This follows Monday's decision to break off diplomatic links with Libya, to expel from Britain by next Sunday the estimated 20 to 30 Libyans still inside the besieged bureau, and to withdraw all British diplomats from Libya by the same date.

Libyan spokesmen inside the bureau confirmed yesterday that they were making arrangements to leave, but they said they did not intend to do so until a few hours before their deadline next Sunday.

Italy is expected to take over the role of representing British interests in Libya. Italian Foreign Ministry officials yesterday confirmed reports of British approaches on the matter, still unconfirmed by the British Foreign Office, and promised a statement if agreement was reached between the three countries.

Libya, meanwhile, has assured the estimated 8,000 Britons living there that they will be safe. A strongly-worded communiqué issued by the Foreign Liaison Bureau (Foreign Ministry) on Sunday ac-

used the British Government of encouraging attempts by Middle Eastern groups to storm the People's Bureau in St James Square on April 17, in order to create a pretext for severing relations "in obedience to Zionist and American pressure."

But the communiqué added that while it coddemned the British Government, it had no quarrel with the British people, particularly those living in Libya, who could be assured of security and protection.

Mr Leon Brittan, the Home Secretary, confirmed after Monday's decision that Britain would honour the Vienna Convention on diplomatic immunity, and said the diplomatic bags brought out of the bureau would not be opened.

Union plans 'no-strikes offer'

BY OUR INDUSTRIAL EDITOR

ONE OF Britain's major trade unions will shortly present a strategy to offer employers agreements which all but rule out industrial disruption.

The Electrical, Electronic, Telecommunications and Plumbing Union, which has 380,000 members, sees "no disruption" agreements of the type it has pioneered at Toshiba

at Plymouth, Sanyo at Lowestoft and Immos in South Wales, as the core of a new strategy "for union organisation for the 21st century."

The union is to make an initial push in Scotland where a large number of electronics companies have set up or expanded plants usually without unions.

It is to send to 200 high technology companies a video of a conversation between the managing director of Toshiba Plymouth and Mr Roy Sanderson, the union's national officer who has pioneered the agreements.

The message of the video will be that unionisation of workers by the union alone benefits both workers and management.

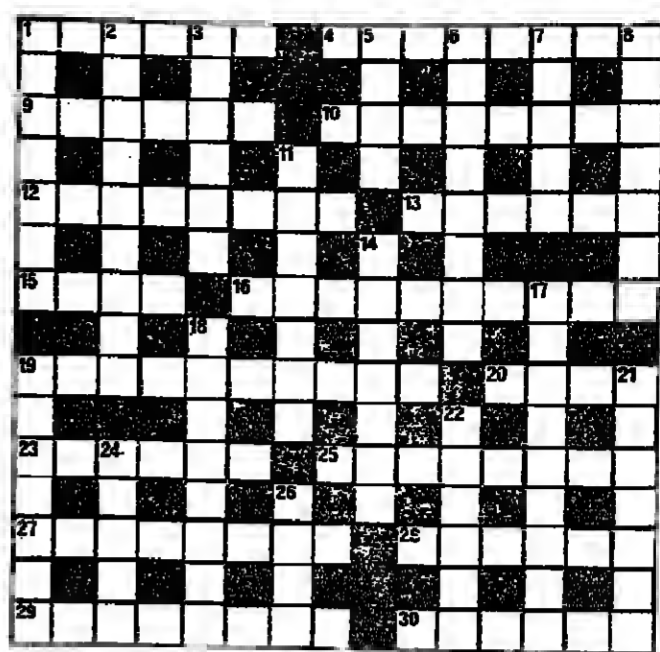
F.T. CROSSWORD PUZZLE No. 5,399

ACROSS

- 1 She plays a Shakespearian part for the network (6)
- 4 To reverse excessively in a dance is silly (8)
- 8 The boss gets one to ring the work-room (6)
- 10 Supporter has backing of fifty down below (8)
- 12 I acted in variety show (8)
- 13 Country writer (6)
- 15 Travel around in droves (4)
- 16 Absconder gives advice on economy air travel (3-2-5)
- 19 The shooting of an unknown person? (6, 4)
- 20 Hit back gamely (4)
- 23 Politician caught in cunning habit of a nun (8)
- 25 Announced a number have cleared out (8)
- 27 Model may be a girl in love (8)
- 28 Get rid of a spindle, perhaps, that hasn't a central point (6)
- 29 Dunces move fast when the principal comes in (3-5)
- 30 Guest who finishes the course? (6)

DOWN

- 1 Dismiss someone taking money (7)
- 2 Legally under constraint to

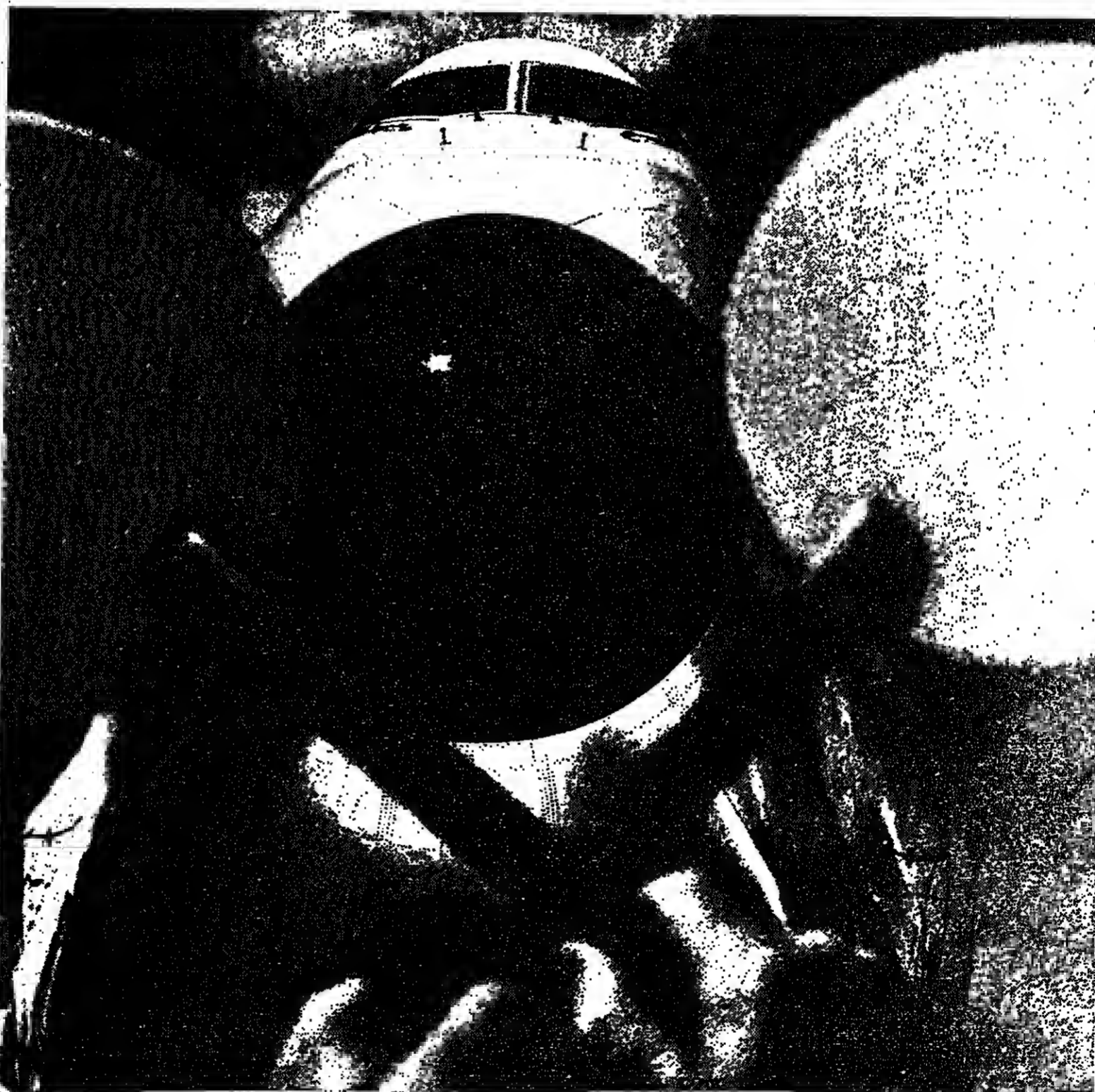


- Jump across (5, 4)
- 3 Show girl goes round in 100 (6)
 - 5 Instrument has nothing in order (4)
 - 6 Learnt to become easy-going (8)
 - 7 Article I have written about statesman (5)
 - 8 Clothing grant that's new, put me in for it (7)
 - 11 A permit held by the sportsman (7)
 - 14 She is in a bad environment and looking shamefaced (7)
 - 17 A mundane subject (9)
 - 18 The worst type of underground heating (4-4)
 - 19 Short of shot-guns (4-3)
 - 21 Not a straight musician? (7)
 - 22 Record turnover is not commonly a cause of it (6)
 - 24 Possibly omits when wet (5)
 - 26 A bit of a wag, even a joker maybe (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

WORLD VALUE OF THE DOLLAR
every Friday in the Financial Times

Part of having a good time is arriving on time.



OTTOMAN BANK

NOTICE IS HEREBY GIVEN that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on WEDNESDAY the 23rd MAY 1984, in THE VINTNERS' HALL, 68, UPPER THAMES STREET, LONDON EC4 at 11 a.m. to receive a Report from the Committee with the Accounts for the year ended 31st December 1983; to propose a Dividend; to elect definitively a Member of the Committee in accordance with Article 16 of the Statutes; and to elect Members of the Committee.

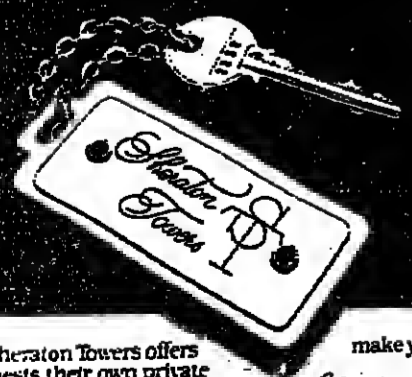
By Article 27 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to be entitled to take part in the Meeting, must deposit their shares and, as may be necessary, their proxies at the Head Office of the Company in Istanbul or at any of the branches, or in London at Dunster House, 3rd floor, 37 Mincing Lane, EC3R 7DN or in Paris at 7 rue Meyerbeer, 75009, at least ten days before the date fixed for the Meeting.

The Report of the Committee and the Accounts which will be presented to the General Meeting are available to the Shareholders at the Head Office in Istanbul and at the offices in London and Paris.

T. R. STEPHENS
Secretary to the Committee

24th April 1984

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UK NEWS

TUC advocates legal safeguard for investors

BY OUR FINANCIAL STAFF

THE TRADES Union Congress (TUC) calls today for the establishment of a new statutory commission to protect the interests of investors and ensure effective control over City of London institutions.

In one of the first published responses to the recent report on investor protection by Professor Jim Gower, the TUC argues that the system of self-regulation suggested in the report would be "ineffective and unworkable."

Comments on the report, which was commissioned by the Department of Trade and Industry, have to be submitted by April 30. Although no-one in the City of London is likely to go as far as the TUC in its criticism, the report has drawn a decidedly mixed response from the financial community.

Among the organisations expected to deliver their verdict in the next few days are the National Association of Pension Funds (NAPF) and the Council for the Securities Industry (CSI).

Meanwhile, the Accepting

Houses Committee, the merchant banks' trade association, has agreed to explore the idea of joining a self-regulatory body formed by the British Bankers Association, along the lines proposed by Prof Gower.

In its comments, the TUC says that a new Investor Protection Act is needed to safeguard individuals and institutions from fraud and mismanagement. However, it believes that the legislation favoured by Prof Gower would only partly protect investors, and that a statutory commission is needed to enforce regulation.

The Commission would be charged with overseeing the Investor Protection Act and with supervising other statutory and non-statutory controls on the investment industry, and should be accountable to parliament.

The TUC further calls for compulsory registration of investment businesses, with failure to comply being made a criminal offence.

Turning to pension scheme man-

agement, the submission argues that the degree of self-regulation envisaged in the Gower report would be inadequate. Authority should instead be vested in the Occupational Pensions Board. This would set minimum standards for both funding and investment policy.

The TUC also urges the introduction of statutory registration of life assurance brokers, and the establishment of a system of fixed commissions to protect investors.

In contrast to the TUC, the NAPF is thought to be in broad agreement with the main points put forward by Prof Gower.

The report, published in January, recommended that the Department of Trade and Industry should have wide powers to supervise a number of new self-regulatory agencies. These in turn would be responsible for the day to day supervision of their members.

NAPF members argue that managers of pension funds run by companies should be required to register under the proposed legislation.

NEI signs robot sales deal with Komatsu

By John Griffiths

KOMATSU, the Japanese industrial group best known for its heavy construction equipment, is widening its activities in the UK and the rest of Europe through a walking robot supply agreement with the British company Northern Engineering Industries (NEI).

NEI's subsidiary specialising in heavy equipment, Northern Engineering Industries Thompson, has signed an agreement with Komatsu under which it will sell the robots in Europe under the name of Thompson-Komatsu, reports from Japan said yesterday.

No NEI spokesman was available for comment but the Japanese reports said that it was expected to sell about 50 robots a year under the agreement, which lasts five years.

Komatsu has come to public attention in the UK as a result of the impact it has made in the construction equipment field, which has been suffering both from a deep and prolonged recession, and a concerted attack on the market by Japanese manufacturers.

Komatsu is one of five Japanese makers of such equipment which between them have captured a quarter of the UK market for construction equipment in less than six years.

NEI is primarily a manufacturer of electrical and mechanical equipment, operating internationally with turnover last year of £371m (£125m).

Trials the people cannot judge

IF ESPIONAGE and counter-espionage are endemic in modern Britain, criminal justice and spies are not easy bedfellows. The criminal trial in Britain is the quintessence of openness, while spying thrives on secrecy which for both the spy and the spied-on, may survive even the process of detection and prosecution.

Over the years a number of spies have faced criminal prosecution in the ordinary courts of law. From Klaus Fuchs and Alan Nunn May in the late 1940s to George Blake in 1962 and Geoffrey Prime in 1982, the criminal process has been applied with only a minimal interference with the accepted standards of criminal justice. Parliament, when passing section 1 of the Official Secrets Act 1911 and making spying a criminal offence punishable with a maximum penalty of 14 years' imprisonment, said nothing to indicate that those prosecuted would be subjected to any different mode of trial from others charged with criminal offences.

In those cases a part only of the proceedings were conducted behind closed doors, but there had been no limitation on the rights of the defence to conduct its case unimpeded by the exigencies of national security.

This may have been due to the fact that the defendants once unmasked had no more secrets to reveal, and presented no further use to those countries for which they spied. Had Messrs Philby, Maclean and Burgess not escaped the long arm of the law for their traitorous conduct the problems of putting them on trial might have been eased earlier. Others, like Anthony Blunt, were able to buy immunity from prosecution by offering to reveal secrets that assisted the security services.

By all accounts that filtered through from the cloistered hearing at the Old Bailey during the recent trial of Michael Bettaney, there was an unprecedented blanket over nearly the whole of the proceedings. The Crown restricted the ma-

terial that ordinarily would have been adduced in evidence, and the defence was hamstrung in the amount of documentation that it sought to have sight of and was not allowed to cross-examine on matters that touched the nerve centre of highly secret matters.

Whatever the effect this may have had on the propriety of the conviction of Mr Bettaney, no one in the public, save the 12 jurors who are in any event sworn to eternal secrecy irrespective of the nature of the offences they had to record their verdict on, is in any position to pass judgment. Justice may have been done. It was by no stretch of the imagination seen to be done.

It is really necessary that the blanket which is drawn over the operations of the security forces - even to the extent of denying some information to the Attorney-General and other Ministers of the Crown - should spill over to the trial process? Clearly the authorities saw no reason why the veil of secrecy should have been lifted, simply because the forum is unchanged from the concealed corridors of the secret services to the open courtroom of the Central Criminal Court.

If that is so - and there is little to gainsay its logic - the fundamental principle that everyone without exception charged with a criminal offence is unequivocally entitled to a fair hearing before an independent and impartial tribunal in public, had to be abandoned. If the principle cannot prevail, then Parliament must sanction something less open whenever someone faces a charge of spying.

At least if secrecy must prevail for the conviction there must be some method of revealing the extent of the offender's criminal responsibility so that the public can judge the appropriateness of the sentence. How do we judge whether the Lord Chief Justice was right to impose a total sentence on Mr Bettaney of 23 years? On 18 counts in the indictment Lord Lane passed sentences of 11 years' imprisonment, consecutive with another 11 years, plus a further one year.

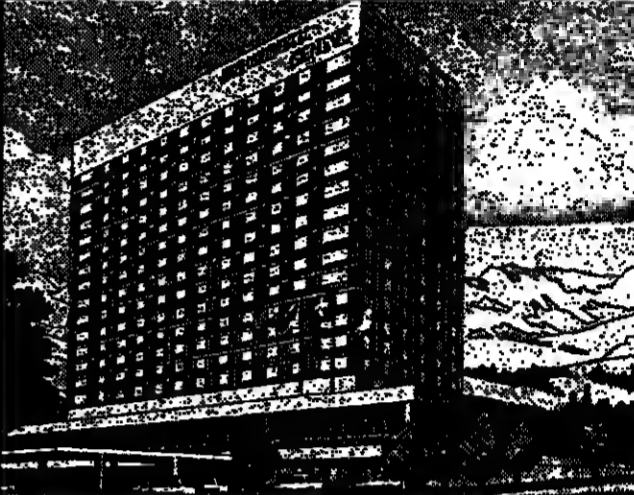
When in 1946 Lord Goddard passed sentence on Klaus Fuchs of 14 years' imprisonment on five separate charges of spying - Fuchs gave information to the Soviet Union about atomic bomb manufacture at Los Alamos - he made all the sentences to run concurrently.

Lord Goddard adhered faithfully to the principle that when someone has been convicted of more than one offence, the judge ought not to pass consecutive sentences when the offences arise out of the same transaction, or series of transactions, and ought in any event never to exceed the maximum prescribed by Parliament for the same offence.

It might be suggested that multiple sentences on spies which far exceed the maximum penalty laid down by Parliament are acceptable according to contemporary standards, but it is not inconceivable that they will be regarded as unacceptable according to the standards of some future generation. The trouble about the sentence inflicted on Mr Bettaney is that it is not susceptible to public judgment as to its justice, undeservedness or humanity, without a great deal more information than has been made available to other than the handful of people who know the whole of the case against him.

Justinian

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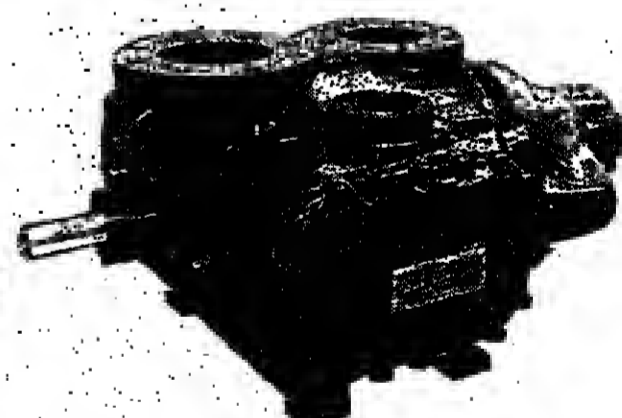
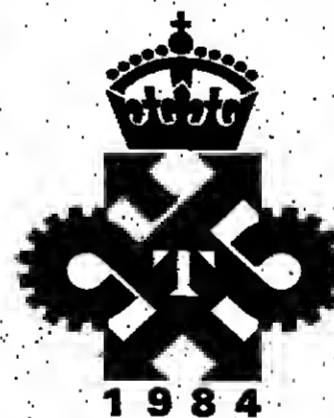
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AP19

Oil search turns to North Sea frontiers

By Dominic Lawson

THE GOVERNMENT'S decision to concentrate on frontier areas in the forthcoming ninth round of oil and gas licences has led to a flurry of exploration activity in some of the deepest and most hostile waters in the UK Continental Shelf.

These exploration wells are designed to gain much-needed information about the geology of the frontier areas - particularly west of Shetland - before the Department of Energy gives precise details of the blocks to be available for bidding in about one month's time.

Britoil is at present drilling a well on a west of Shetland block which it was awarded by the last Labour Government between the fifth and sixth rounds of North Sea licences.

Nearby, Esso has started drilling in 2,150 ft of water. When it started to drill, this well was the deepest one in UK waters. But two weeks ago Conoco began drilling a well in 2,200 ft of water. The Conoco well, 380 miles north east of Aberdeen, is also the most northerly well drilled on the UK Continental Shelf.

Conoco caused a stir at the beginning of last month when it said that the area had the potential to contain an oilfield of 1bn recoverable barrels - bigger than all but three of the developed North Sea oilfields.

Last week the British Gas Corporation announced that it was to drill to 2,000 ft of water off North-west Shetland. "This well is expected to provide further information on the geology of areas likely to become available in the ninth UK licensing round," it said.

These deep water wells will take at least four months to drill, and are likely to cost in the region of £10m each. Should drilling lead to oil or gas discoveries it will remain a closely guarded secret. It would not become public knowledge until after the ninth round closes at the beginning of next year.

● The 128 employees of the British National Oil Corporation (BNOC) were last year on average each responsible for turnover of £61.8m on the basis of BNOC's annual results. The company announced pre-tax profits of £800,000 on turnover of over £7.9bn.

The period was the first full year in which the state oil purchaser and trader operated as a separate entity, after the hiving-off of its production arm in the form of Britoil.

Last year the corporation marketed 1.3m barrels of crude a day, a 10 per cent increase over the previous year, and representing 58 per cent of total UK North Sea production.

However, most of BNOC's crude purchases are purely paper transactions. They are immediately sold back to the producers at the same price and so BNOC's capacity to make profits is strictly limited.

Banks count the cost of Lawson tax blow

BY DAVID LASCELLES, BANKING CORRESPONDENT

BRITAIN'S BIG banks will be revealing over the next few days just how much the ending of capital allowances will cost them in unforeseen taxes. The ending of the allowances was announced last month by Mr Nigel Lawson, Chancellor of the Exchequer, in his budget.

Barclays and Midland banks hold their annual meetings tomorrow. NatWest's is on May 1 and Lloyds on May 3.

Analysts have already estimated the figure at about £1.7bn - which is exactly what the four banks earned pre-tax last year. About a third of this is accounted for by NatWest, the bank with the largest liability and the only one yet to have made its own estimates public.

The budget changes will force banks to pay tax on income from their leasing business which they previously expected to be able to defer indefinitely through new capital allowances. The banks had set aside only enough to cover 25 per cent of their liability if these allowances were ever abolished. The question now is how much of the remaining 75 per cent they will actually have to pay, and how they will pay it.

The banks have already agreed - with some prodding from the Bank of England - on a common approach: to make a once for all, full

	Unprovided liability (£m)	1983 pre-tax profits (£m)
Barclays	488	557
NatWest	570	503
Midland	254	228
Lloyds	287	418
Total	1,679	1,704

Source: Rowe & Pimms. Estimates assume full liability based on a 1983-87 rate of 35 per cent.

provision rather than stringing it out over several years. This means that they will have to dig deep into their reserves which could be painful, but preferable to spin-out uncertainty. It also conforms to the letter of UK accounting standards.

Banks will actually make the provision by shuffling around their balance sheet: they will transfer funds from reserves into "provision for deferred taxation", another balance sheet item. Then as the tax falls due this provision will be used up.

This will not hit bank profitability because the transfer takes place below the line. "But it will weaken balance sheets. Whether it will actually force any of the big four to go to their shareholders for more equity is a moot point.

The Bank of England has indicated that it will look with an understanding eye, so there need not be

pressure from that front. Three of the banks, Barclays, Lloyds and NatWest, probably have strong enough balance sheets to get by. The uncertain case is Midland where capital ratios will be reduced to the utter minimum if it makes the expected provision, coming as this does on top of its severe problems with Crocker National Bank, its Californian subsidiary. This has sparked doubts about Midland's dividend.

Less clear is exactly how much the banks will have to set aside. NatWest has already told shareholders that it expects to have to pay only about 60 per cent of its total liability. This is because the corporation tax rate will have fallen to 35 per cent from 52 per cent by the time the tax liability crystallises in three or four years' time.

Another unknown is how much new leasing business the banks will be able to drum up in the years ahead. Even though they will no longer get the 100 per cent first year capital allowances, they will still get a 25 per cent a year reducing balance allowance - so leasing's tax benefits will not disappear altogether.

There is a boom in leasing at the moment as lessors and lessees rush to beat the phasing out of the capital allowances.

Threat to drug makers

By Carla Rapoport

THE BRITISH pharmaceutical industry is currently facing greater threats to its future than at any time in its history, according to a recent survey by Jordan & Sons, a research and consultancy group.

The dangers include tighter profit control by the Government, promotional spending cuts, increased generic prescribing, and declining research productivity.

The survey urges drug companies to re-examine their long-term research and marketing strategies to minimise the harmful impact of these threats.

The report says new government restrictions on profitability will force a number of small and medium sized companies to cut spending on product promotion. As a result, they will be less able to compete in a market dominated by a few large companies.

The restrictions will also result in a "significant decrease" in investment by foreign companies in the UK in the manufacturing and development of pharmaceuticals. Investment in straight research is expected to be maintained or increased.

The report also forecasts that the number of products sold in the UK will decrease in future. This will have the effect of making the market more sophisticated and innovative at the same time as cutting the National Health Service drug bill, says the report.

Sales surge expected by distributive trades

BY PHILIP STEPHENS

DISTRIBUTIVE TRADES are expecting a surge in business this month after disappointment with the level of sales in March, according to the Confederation of British Industry/Financial Times survey published today.

The ninth monthly survey, which drew replies from 722 retailers, wholesalers and motor traders, found that a balance of 53 per cent expected sales in April to be above levels at the same time last year. (The balance is the percentage reporting a rise minus the percentage expecting a fall).

Reports of increased retail sales in March, however, were the lowest for six months, apparently reflecting the cold weather and the lateness of Easter.

A balance of 47 per cent of all the trades surveyed had expected better trading conditions last month, but in the event a balance of only 30 per cent reported increased sales.

The survey for April, conducted between March 23 and April 13, expresses confidence that the downturn will prove only temporary and there are indications that trade could return to the very high levels of late last year.

Expectations of increased sales in April are particularly strong in those categories - clothing, footwear and leather - where turnover in March was furthest from expectations.

Distributors also expect a significant increase in the volume of orders placed on suppliers, although stock levels, which increased sharply in March, are expected to remain high.

In the retailing sector high sales expectations in March were not fully realised for the third month in succession, although turnover was above the same month a year ago.

This tallies with official figures showing that retail sales dropped by nearly 1 per cent between February and March, while remaining

about 2½ per cent above levels in March 1983. But a balance of 70 per cent of retailers is predicting buoyant trading conditions in April.

The lower-than-forecast sales are reflected in a surge in retailers' stocks, which rose at the fastest rate since November 1983, with a balance of 42 per cent reporting higher levels.

The mail order sector, however, went against the overall trend, with both sales volume and orders placed on suppliers rising strongly.

The balance of wholesalers reporting higher sales in March compared with a year ago, at 29 per cent, was the second lowest since the survey started. Sectors which were particularly disappointing were fuel and energy, durable household goods and clothing, textiles and footwear.

Like retailers, however, wholesalers are optimistic about the prospects for April, with a balance of 49 per cent predicting an increase in sales volume compared with the same 1983 month.

Orders placed on suppliers showed a slight increase in March over a year ago, with a positive balance of 17 per cent, but a more substantial rise is forecast in April with the balance rising to 39 per cent.

Wholesalers reported higher than expected stock levels in March and in April they are also predicted to be substantially up on a year ago.

The number of respondents to the motor trades section of the survey has increased substantially to 143, increasing the reliability of the results, but the CBI believes the figures should still be treated with some caution.

Motor traders reported a slight fall in their sales in March compared with a year ago, but are expecting increased turnover in April. Orders in March were at the same level as in the same 1983 month, but are expected to pick up this month.

New Issue
April, 1984

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Memories of a silver disc

BY WALTER ELLIS IN AMSTERDAM

IT IS a melancholy thought but the type output of an office secretary's entire 40-year career can now be recorded on a single side of a digital optical storage disc.

On second thoughts, not so much a melancholy thought as a sad reflection. For if the secretary concerned were to gaze into the laser-scanned disc itself—perhaps pondering on the relevance of the work ethic to late 20th-century office routine—the gaze would be beamed back from its brilliant, mirror-like finish.

The digital optical storage disc, developed by Philips of the Netherlands and Control Data of the U.S., is a spin-off from the Dutch group's Laser Vision and compact disc audio technology. It looks just the same but is a little bigger than either of its shiny predecessors, being 30 cms across—the same size as the traditional audio LP which the compact disc is out to replace.

Philips and Control Data have already spent \$40m on development of the disc and intend laying out a further \$200m over the next two years through a new joint venture, Optical Storage International (OSI).

Philips and Control Data have already spent \$40m on development of the disc

he reached by the end of the decade.

The discs, with their attendant players, will be aimed initially at the burgeoning archive market. Libraries of every kind, public and company filing systems, hospitals—in fact all those institutions which require detailed, accurate and permanent storage of their day-to-day histories—will, we are assured, turn to digital optics almost in the twinkling of an eye.

If they do and, more importantly, if scientists can discover how to make the discs reusable so that they can be incorporated into shorter-term retrieval



The optical recording disc at 30 cms diameter is slightly larger than the Laser Vision consumer video disc shown above. Some \$200m will be spent on its further development

systems. Philips and Control Data could be on the threshold of something really big and important. If they do not, or if the 30 or so other corporations engaged in similar research come up faster with marketable systems, a lot of money will have disappeared down the R and D drain.

In optical recording, a laser beam of specially high intensity burns holes into the pre-laid tracks of a sensitive metallic layer between two glass substrate discs. The absence or presence of a hole defines the message for the resulting digital reader. The laser reader directs its beam through the surface of the disc— which is sealed into a plastic-wrapped "sandwich" to prevent contamination—and when the light falls on a flat, reflective surface it is reflected back along the same path. In this path is a semi-reflective prism which partly dissipates the beam and causes it to be measured by an array of photodiode detectors.

When the beam, still on its way into the disc, hits a hole, the resulting reflection is of a different intensity than one from an unspotted surface. In this way, there is regular intensity modulation. Different patterns of hole-no hole translate into the more conventional one/zero format with which today's school-

children are rapidly becoming familiar.

The burning-in process has a permanent character, and this is probably the most important difference with existing media based on magnetic storage technology—principally magnetic tape. The optical disc can hold on to information for at least 10 years, and even then information which it is feared may be decaying can be refreshed up by means of a sort of electronic "Alkasetizer." Until researchers have discovered how to make the discs alterable and re-useable, the permanence feature is likely to be something of a mixed blessing, but it certainly represents an advance in its own field and should prove invaluable to the archivist.

Massive memory capacity is the other main marketing feature of the disc; as the holes formed by the laser are only 1 µm in diameter, it is possible to store 1,000 megabytes, or one gigabyte, on a single side, corresponding to the typed contents of half a million A4 paper sheets.

The recorder-players to be used with the discs will be made by Control Data in the U.S. The American computer company is one of the world's largest producers of disc-drives and has worked closely with

Philips on optical disc technology since 1982, when two joint ventures were formed to co-ordinate research, OSI is the continuation into sales and marketing of these first ventures. It hopes, by building on its early lead, to stay ahead of the competition, represented by no fewer than 33 companies worldwide, including Sony, Hitachi, Fujitsu and Matsushita of Japan, Rank Xerox of the U.S. and Thomson-Brandt of France.

Now, with the technology still in its infancy, only Philips itself, with its "Megadoc" office system, and Texas Instruments, with its "Laservision 93127" recorder, actually offer optical disc equipment. A number of other drives are, however, currently being tested by a further 19 or so high-tech manufacturers, and the autumn of this year could see an important systems launch.

Without a re-usable facility—which is not expected for another two-three years, digital optical discs will cause a gleam mainly in the eyes of archivists. But the idea is, at least, on the drawing board and on to disc and could well become a standard feature of the computing and information storage industry of the late 1980s and beyond.

SOFTWARE SYSTEMS

Office automation at a stroke

BY ALAN CANE

SOFTWARE SCIENCES clearly does not suffer from the debilitating "not-invented-here" syndrome which handicaps so many UK high technology companies. It has taken one of the better philosophies of office automation—the concept of the "working group"—and added a novel piece of office automation software developed by Xionics to create something that comes close to the idea of the "intelligent workstation."

Software Sciences is a rapidly growing systems house, part of the Thorn EMI group. Xionics is a small office automation supplier with the signal distinction of having been given the job of automating the Cabinet Office.

Last year, Xionics launched a product which it believed broke new ground in the "electronic office." It launched a product which it called KeyStroke Procedural Language (KPL), basically software which made it possible for an office worker to "teach" his or her computer to carry out routine and tedious keyboard operations.

An example might be the sequence of operations necessary to make contact over a telephone line with a computer-based information source and request a particular set or sets of data.

It is all time consuming and error prone. But using KPL, the entire procedure can be reduced to a single key stroke. Software Sciences, based in Farnborough, saw KPL as a way to realise its notions of office automation. Mr A. F. Crossley of Software Sciences says: "Now even Xionics is surprised at what we have managed to do with KPL."

Mr Mike Bevan, managing director of Xionics says: "Software Sciences has made the greatest progress we have yet seen in the use of KPL. It has developed extremely clever and imaginative ways of threading together all the things that have to be automated in the office."

office is the lack of an efficient mechanism which allows their staff to communicate one with another." Software Sciences used as its model the idea of the "working group," a small group of office workers who deal with a particular activity who function as a unit and whose working methods can be defined very precisely.

The company has identified a number of these working groups—it includes the fleet management office, the contracts office, the purchasing office—and, of course, the Press office. Its approach is similar to each activity. It talks to practitioners finding out what their job entails and what they need of an automated system.

The Software Sciences Press system works like this (remember that all the time-consuming sequences have been reduced to one or two key depressions using KPL). A draft Press release is produced, and a circulation list of commentators generated. A single individual is given the authority to sanction the release (no more embarrassed follow-up letters—correcting errors, ambiguities and indiscretions).

Then a "conference" is set up among the commentators, each of whom can call the release to his or her screen and add comments or redraft. When the final version is produced it can be cleared for release and the publishing mechanism invoked. Copies are printed, labels prepared, further copies downloaded to telex or to viewdata.

When the final version is produced it can be cleared for release and the publishing mechanism invoked. Copies are printed, labels prepared, further copies downloaded to telex or to viewdata. A FR-line of information is created to help with answers to queries.

That sequence simply described good Press office practice. Where "Press" differs is that all the mechanics are ready built into the Press office's workstation.

Mike Bevan notes: "When these terminals go into the ground much more quickly. This being the age of the train, Press will be put through its paces soon. First task is Mr John FOGG, information services manager for the British Rail Press office. Software Sciences is on 0252 54341, Xionics on 01-636 0105.

Manufacturing

Design seminar

AN INTERNATIONAL seminar on computer aided manufacture is to be held from May 8 to 10 in Montreal, with an associated industrial tour to companies such as Siemens and Messerschmitt Bolkow Blohm.

There will be speakers from Rolls Royce, Union Carbide, the Philips Centre for Manufacturing Technology, the UK Department of Trade and Industry, A. D. Little, Ingersoll, ASEA, Lockheed, Old Electric and other organisations of similar calibre.

The registration fee for the conference only is £250-£375 and further details can be obtained from the organisers, CAM-I Inc, Newfoundland House, Frodo Quay, Dorset (0502 670717).

Computers

Colour graphics

COLOUR GRAPHS and charts can be made with a business graphic program for the Philips F2000C portable computer. The program from Datacube is suitable for busy executives who need to present data in graphic form at meetings and in documents.

File, line and bar charts can be produced in colour. The plot can be used with a range of CP/M programs including WordStar and CalcStar. More details from Philips in Vienna, Austria on 43 222 94 5535.

Storage

Bubble memories

HITACHI has a bubble memory cassette for computer data storage capable of holding 1m bits of data. The cassette has use in a wide range of industry and computer applications. More details from Hitachi in Harrow, Middlesex, on 01-861 1414.

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Components

Production links

INTEL CORPORATION, one of the largest U.S. semiconductor makers, has signed a manufacturing agreement with Marconi Electronic Devices, part of the UK General Electric group. This second source contract allows Marconi Electronic Devices to make telecommunications components.

It is the first time that Intel has signed a manufacturing agreement of this kind with a UK company.

The semiconductor circuit to be made by Marconi is used in large quantities in such as System X found throughout the world. Its use is to convert analogue speech signals into digital ones for transmission and vice-versa. Such circuits are called codecs—coders/decoders.

Agriculture

Farming information

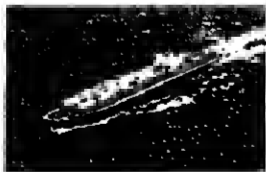
FARMERS CAN now obtain more information via the Prestel Farmark service launched April 12. It will provide a national directory of data, product and services. Farmark, which is providing Farmark, said that information includes weather reports, livestock market prices and commodity futures.

Farmers can compare prices or place orders at any time of the day or night. Farmark has also written an interactive program which allows subscribers to calculate wages and PAYE by using a viewdata screen and keyboard. More details from Farmark on 01-890 1414.

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UniDynamics

FINANCIAL TIMES SURVEY

Tuesday April 24 1984

Direct Marketing

The annual symposium in Montreux at the end of this month will discuss national experiences. Judged by the UK standards, the industry has seen strong advances in the direct mail sector and an improvement in its public image

Technology helps to span the frontiers

THE DIRECT marketing industry is in good heart. It is improving its reputation as an effective channel for selling (and communicating) at a time when users are taking more interest in its possibilities.

This is mainly because of the rising cost of other advertising media, especially television. Companies now spending many millions of pounds on a TV advertising burst are likely to at least consider an alternative.

Direct mail, the major part of direct marketing, is now in a better position to present its case. Some 18 months ago 54 direct mail producers, suppliers of anything from envelope stuffing services to lists, came together, with Post Office backing, to form the Direct Mail Sales Bureau to promote the medium.

The Bureau has concentrated not only on telling potential users about direct mail but also offers a service, producing a campaign if companies are interested. Much of its time has been spent talking to advertising agencies, once generally antagonistic to direct marketing but now conscious that they must be able to offer their clients this complementary marketing service.

Agencies like FCB, Benton and Bowles, Greys and Ogilvy

By **ANTONY THORNCROFT**

and Mather have recently boosted their direct marketing divisions and 70 per cent of the 10 campaigns handled by the Sales Bureau in its first year came through advertising agencies, who provided the creative work while using the specialists for run of the mill activities.

Direct mail was worth \$44m in 1982, making it larger than important rivals like magazines and the regional press, and almost as big as the national press as an advertising medium. There will not have been any growth last year because one big sector, mail order (those

weighty catalogues) had a bad patch from which it has now recovered.

The overall trend is upwards, especially for the basic direct mail to the home or office. The Post Office, which is the main beneficiary of increased activity earning about £200m postal revenue, reckons that the number of items of direct mail circulating around the country more than doubled between 1975 to 1982 to over 1.1bn, with a big switch in the total towards consumer mailings and away from business.

In 1978 the traffic split almost half and half: now over 70 per cent goes to consumers. Even so this only works out at 0.7 direct mail shots landing on each household's front door mat in a week.

What kind of material is arriving through the post? Financial marketing remains a great growth area, with banks following the insurance companies and unit trust operators in communicating directly with the public.

Travel, cars, and consumer durables, as well as the traditional book clubs, are to the fore. Companies are realising that their best customer is their existing customer and durables manufacturers are using their guarantee lists to make follow-up pitches.

There is also much more interest in advertising through the post, alerting potential purchasers to the goods, be it a new car or a magazine, rather than seeking a direct sale. All this

business is thriving on the back of the basic principle which drives direct marketing — companies can measure the response. Unlike advertising campaigns a direct campaign to the consumer can be evaluated quickly for its cost effectiveness and either abandoned or developed.

Aberration

This great selling point now makes much more sense with the improvements in the precision of the targeting which have followed from technological breakthroughs, involving the electoral roll and the computer.

Acorn, which splits the country into small areas according to their affluence or otherwise, removes much of the waste from direct mail. It does not always work: a recent survey suggested that through some aberrations multi-ethnic communities received above average amounts of travel propositions when in practice they rarely strayed far from home. But in the main lists are much more accurate.

Wedding the computer to research not only cuts wastage; it also reduces the cost of organising mailing shots. What might have involved 60 typists producing names and addresses has been transformed into the press of a computer button.

The cost of direct mail promotion has also been held steady by the Post Office's retention of second class postage at 12p for

two years now — postage can be the major cost item.

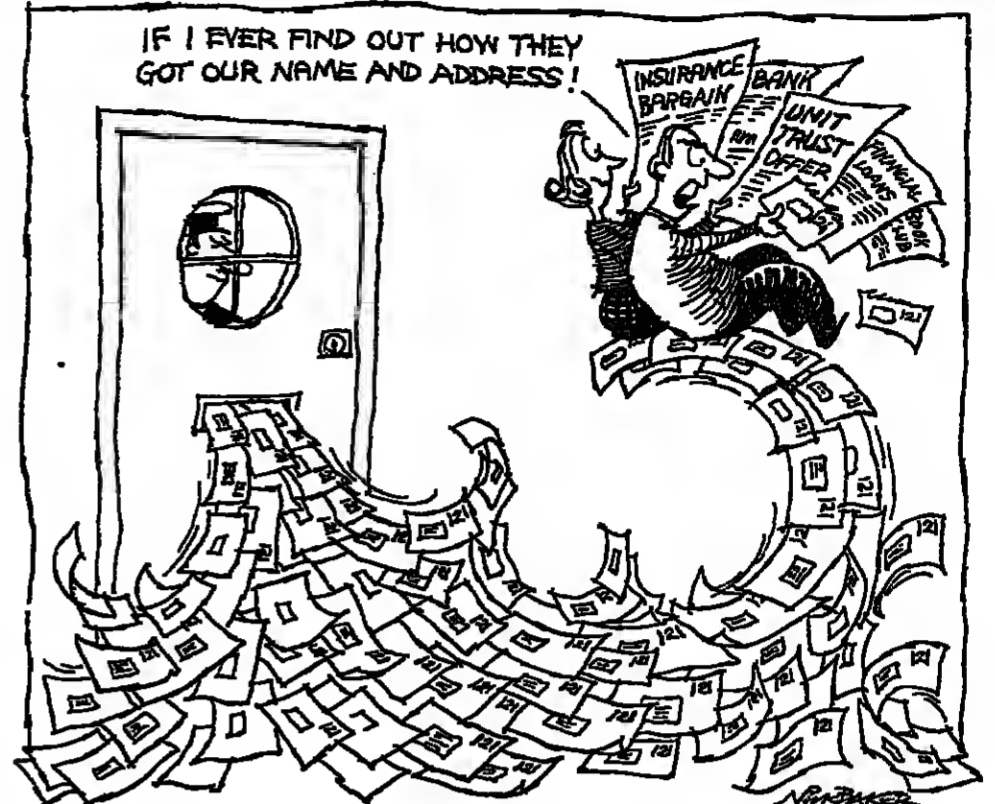
Technology is constantly improving. Along with Acorn has come the Consumer Location System which not only gives the social characteristics of localities, but using T and I data, also their buying habits. There are still wide variations in the cost of direct mail campaigns: an Acorn mailing costs around £250-£300 a thousand shots, and an own customer mailing about £150-£200.

On the other hand an expensive direct mail campaign to a small and select target group in the business area might be £1,000 a thousand. Of course the use of word processors has improved the personal element in even the most conventional mailing shot.

The formation of the Direct Mail Services Standards Board has sorted out some of the abuses and the Mailing Preference System, which enables people to say they do not want to receive direct mail, also goes some way to meet criticisms.

The main recent gain, however, has been the influx of professional marketing and advertising people who find direct mail a challenge rather than a rival to the cosy commission system. Direct mail has a bright future.

For the other sectors of the direct marketing industry there are problems, which could well be temporary. Mail order is suffering from high unemployment and price cutting in shops.



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posium in Montreux is useful: it brings together national experiences which have international uses.

MONTREUX: A MUST FOR MANY REASONS

More than 2,000 leading executives will be there. From many countries. From many fields. For many reasons.

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Speaking will be Merrill Lynch Vice President William Waters, Ogilvy and Mather Vice Chairman Mike Chapman, British Direct Marketing Association Director General Anthony Painter, Folio Publisher Joe Hanson, AMEX, BP, Volvo and many more. Keynote presentation will be made by Chairman of the Board of Directors of Bertelsmann, the leading German media house, Dr. Mark Wörsner.

Presenting their new products, systems, techniques, and services will be over 150 major international exhibitors. From sheet laser and ink-jet printing, to personalised magazines and computers. With special exhibits including the European Postal Administration Services and the worldwide Catalogue Show.

A must for ad agencies, banks, retailers, manufacturers, publishers and all concerned with marketing effectively to know what is going on today in direct marketing. To harness the technological advances. To be prepared for tomorrow. And above all to remain competitive.

To be found at one place, under one roof, at the 16th Montreux Direct Marketing Symposium & Exhibition, Switzerland. This Spring. From 30th April to 4th May.

Contact Evelyn Blöchliger, Marketing Co-ordinator, Montreux Direct Marketing Symposium & Exhibition, Neumünsterallee 6/PO Box 214, CH-8032 Zürich. Telephone: Zürich (0) 89 48 20. Telex: 88 896 adres ch.



Only one agency is in a position to give you the works on direct marketing

In a week's time, people from all over Europe will be visiting Montreux to hear the very latest theories on direct marketing. Reading this article will give you some idea of the topics they'll be discussing. But what happens when you want to stop reading and start doing something about it.

Whether you are a seasoned direct marketer or one of those companies seriously considering the subject for the first time, you may like to know that one agency is better placed than any other to put it all into practice.

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Jørgen Klausen, Wunderman International Direct Marketing A/S, Salvgade 10, DK-1370 Copenhagen K, Denmark. Tel: 12-55-50. Tlx: 22235.

Christer Holmberg, Wunderman Direct Marketing, Riddagatan 17, Box 14104, S-141 41 Stockholm, Sweden. Tel: 60-42-70. Tlx: 10342 RINCAD S.

Cas Saey, Wunderman International BV, Orthon Helderingsraat 27, 1066 XT Amsterdam, The Netherlands. Tel: 17-09-24. Tlx: 14170.

Manfred Heuser/Claus Mayer, Wunderman International Direct Marketing GMBH, Bayerstrasse 21, D-8000 München 2, Germany. Tel: 558291. Tlx: 538229.

Rainer Mirau, DMS GMBH, (Telephone Marketing), Zeil 115-117, D-6000 Frankfurt AM, Germany. Tel: 282757. Tlx: 411565.

Richard Stollenwerk, Wunderman International, Tour Essor 93, 14 Rue Scandicci, 93508 Pantin Cedex, France. Tel: 331 843 6131.

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WHERE TO GO FOR SOUND DIRECT MARKETING ADVICE:

1 ON YOUR MAILING LISTS. Even the most persuasive message is wasted on the wrong people. Choosing the right list or the best segments of that list is critical. Even more vital is organising your own list. If that's wrong, the very foundations of your business are shaky. As you know, Reader's Digest are the experts on this. Stewart Pearson spent 8 years with them, working on List Analysis, Segmentation and Name Selection, before becoming a Marketing Manager. He's an ideal advisor on lists. You can reach him on 01-379 3555.

2 LOOKING AT THE TELEPHONE? The telephone is so powerful that U.S. marketers are now spending more on it than on TV or the press. Melanie Howard spent three years helping build the first U.K. telemarketing agency to use scripted and controlled techniques: the agency that established telephone in this country as a serious Direct Marketing medium. In her role as Project Development Manager there, she learned a great deal about the pitfalls as well as the opportunities telemarketing offers. You'll find her down-to-earth approach very refreshing.

You'll find her above the Pineapple Dance Studio in Covent Garden.

3 INSURANCE AND FINANCIAL. This is the latest growing segment of the Direct Marketing business. You will get sound advice from Ian Dewar, who worked on the first insurance Direct Marketing in this country, or from Shannon O'Hara, who has been involved in bank and loan advertising for the past six years. You're in the Investment Field, Sabila Din, until recently with Reed Stenhouse Gibbs is a useful contact. They can all be reached at 7 Langley Street, London WC2H 9JX.

4 BUILDING YOUR BUSINESS. If you want to build your business faster, Brian Thomas can help. Whilst working in senior marketing positions with ICL, Marshall Ward, Studio Cards and Early Learning he was responsible for over 500 mailing packages and has a fund of practical advice. To get hold of him quickly, telex 268920.

5 EVALUATING YOUR OPPORTUNITIES. Do you want to talk to someone who can take a broad view of your business? Try Drayton Bird, author of 'Commonsense Direct Marketing', the first U.K. book to reveal the principles of today's Direct Marketing. Already in its second edition, it drew praise not only from reviewers, but even from competitors. One agency Managing Director, observed: "it would be a steal at £100," whilst the Chairman of another commented: "full of good sense, wit and relevant anecdotes." You'll find Drayton Bird at T'renear-Harvey, Bird & Watson.

6 UNDERSTANDING YOUR PROBLEMS. You'd probably like to share your problems with people who have experienced them first hand. No less than four people (including the Managing Director and the Creative Director) at TH&W have either owned or managed Direct Marketing businesses. You will find their practical experience invaluable. If you are a conventional marketer seeking to try Direct Marketing techniques, you should meet the people at TH&W who helped companies like Coca Cola, IBM, Sun Life of Canada and Carreras Rothmans get into Direct Marketing. They have a wealth of valuable experience to share with you. In no other agency in Britain will you find such a range of expertise.

7 CREATIVE RESULTS. TH&W consistently turns out work that wins split run tests, and exceeds projections (by big margins like 200% in two cases this year) for extremely demanding clients. Clients like Reader's Digest, Odhams Leisure Group, Citibank, Fine Art Developments, British Telecom Telemarketing, Cornhill Assurance and McDougall's Caring Foods. You may need advice on space advertising, inserts, TV or radio. You may be looking for shrewd media buying or ingenious print formats. Whatever it is, ring up one of the people listed here. You'll find them knowledgeable, enthusiastic and happy to advise you. And if they can't answer your question, you can be sure that one of the 35 people at TH&W can. T'renear-Harvey, Bird & Watson Ltd., 7 Langley Street, Covent Garden, London WC2H 9JX. Telephone: 01-379 3555, Telex: 268920. Telecopier: 01-240 2044.

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It could just be the most profitable 15 minutes you've ever spent.

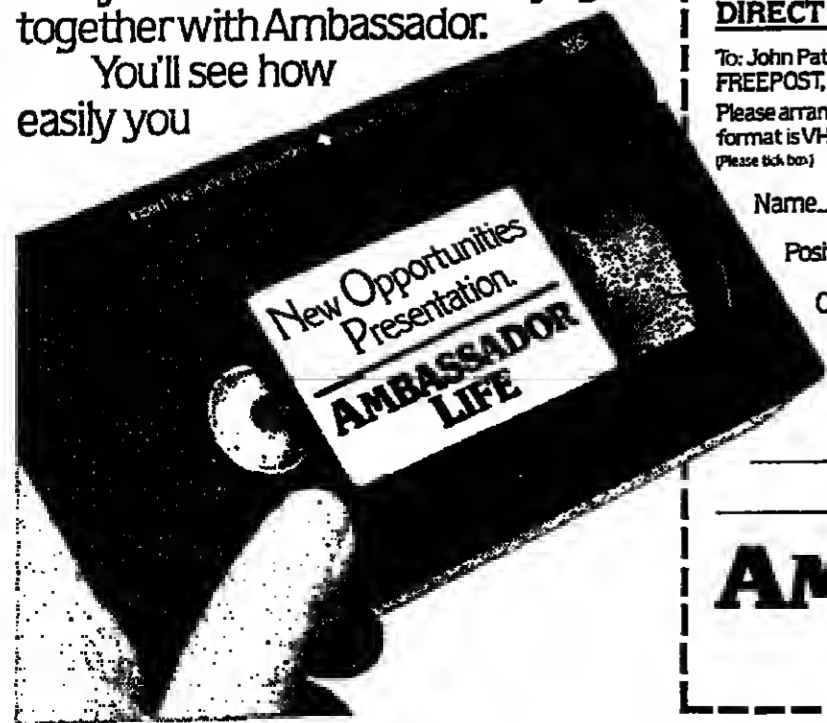
DIRECT MAIL INSURANCE PROGRAMMES

To: John Paterson, Ambassador Life Assurance Company Ltd, FREEPOST, Bournemouth BH8 8XH.

Please arrange a New Opportunities Presentation for me. My video format is VHS BETA 2000 U-MATIC No video (Please tick box)

Name _____
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Company _____
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Address _____

AMBASSADOR LIFE



DIRECT MARKETING II

A wider range of user groups is appreciating the industry's marketing opportunities says Feona McEwan

Strong rise in use by services industry

SO, WHO uses direct marketing techniques? Given that the average household in the UK is on the receiving end of some three unsolicited items of literature a month, it is likely that every one of us has some idea of the scope of this big business. That's just the direct mail sector of the direct marketing process—there's also off-the-page press selling, off-screen selling (whether broadcast television or Viewdata and Prestel), telephone sales and door-to-door delivery, known as the "knock and drop" method. Theoretically, any one with a product or service to offer is a prospective direct marketer. The type of user groups is growing at a galloping pace as more sectors wake up to the unused marketing opportunities of this advertising medium. With the advance of communications technology and the sophistication of the identification and location systems on which mailing lists are based, fine targeting, which is the direct marketer's chief weapon, is increasingly recognised as a cost-effective means of expanding business at a time when value for money is the catchphrase.

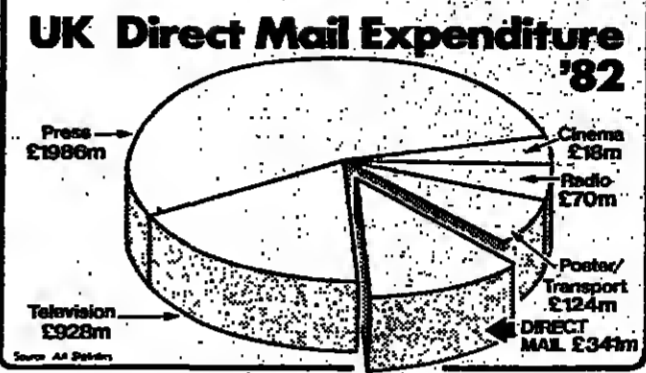
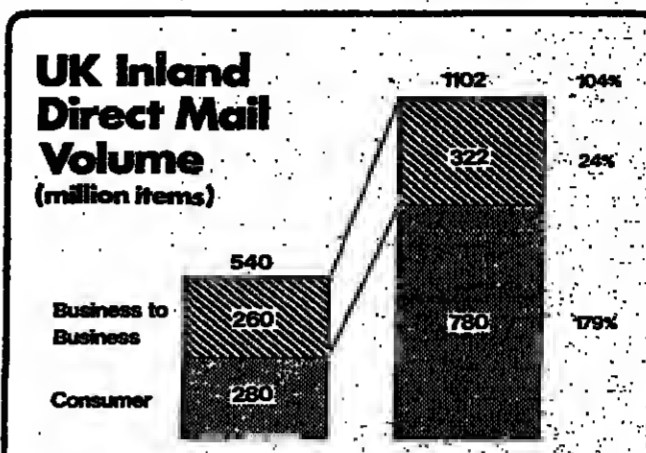
What was once the province of clubs, be it book (Reader's Digest pioneered the way in the Fifties) record or motor (the Automobile Association is an experienced practitioner) has, 30 years later, mushroomed beyond recognition: insurance houses to contraceptive suppliers, charities to holiday bookies to animal welfare trusts... they're all using the service.

Outstripped

Small businesses of every hue are learning how to put on weight the direct marketing way. And as consumers are subjected to such messages both at home and in the office, "vital statistics of this disparate medium are hard to come by—who knows, for instance the market share of the knock-and-drop approach—it falls to direct mail, with the enthusiastic backing of the Post Office, to give the medium some substance.

Increasingly, they say, consumer items are outstripping the business-to-business sector of the market. Whereas direct mail was split in a 32:48 ratio consumer-to-business in 1975, figures for 1982 have shifted to a 70:30 balance. In other words, judging by volume not value the business-to-business sector grew 29 per cent in that time compared to consumer advertising which has increased 179 per cent.

"The market in general is extremely buoyant at the moment. There's almost too much business to handle," says Graeme Robertson of leading agency Creative Brands. "The business-to-business sector is



booming too," comments Brian Holland of Holland and Partners, one of the largest UK b-to-b agencies.

More and more companies, he says, are now alert to the increased costs of running a sales force and direct marketing to deploy their time most profitably.

It is widely recognised that there is a fundamental shift in marketing strategies with advertising expenditure moving away from the traditional areas of fast-moving consumer goods towards services and consumer durables. At the same time discrete target markets (the rifle approach) are becoming more important, as against the broad shotgun approach of broad mass media (such as satellite).

Michael Mantou, chairman of the Direct Mail Sales Bureau, which "sells" the medium to advertising agencies, told an advertising conference of media buyers "the shift towards discrete target markets will continue as products and services become more specialised and market identification techniques more sophisticated."

"That can only benefit direct mail," he continued, "judging by its share growth and the number of advertisers who come back for more, direct mail must be doing something right."

Consumers are also becoming more confident about using direct marketing, as one agency man put it. "He has become

more disposed to it and also the advertising has now developed into a more comprehensible format using simpler methods of response."

Retailers and their optitude for advertising are renowned and a major inducement of the age. Direct marketing is no different.

"It is significant that many major retailers such as Habitat, Mothercare, Laura Ashley, The Reject Shop, fashion and menswear chains, Debenhams and other department stores, are all now using catalogues and direct to the customer selling to develop their franchises and sales," says Frank Casey, a director of the Brunings Group, of advertising agencies.

Many are now realising that if they are incurring costs in sending out, they it makes commercial sense to make the jack-pot worth the chase.

Thus you find inserts, along with your invoice, with news of a special promotion, sale or offer in an effort to generate more store traffic.

Unlike manufacturers, retailers are now able to define their catchment areas locally precisely and can identify their customers by name, a powerful marketing tool they are beginning to exploit.

The same applies to banks which possess sufficient financial information about their customers to define target markets—and this is an area in which many marketers predict rapid growth. Elsewhere in the financial sector, which as a whole is one of the fastest emerging

advertising forces) insurance companies, credit cards and unit trust funds are already well versed in direct marketing procedures, having acquired the habit some years ago.

It was noted as a milestone and an acknowledgement of the medium's success when the Prudential's quintessential door-to-door sellers, last year, took the "direct" route and included marketing incentives in their mailed-bonus notices.

In February this year, Framlington Unit Management's Japsco General Fund was launched with a mixture of off-the-page press ads, unitholder applications and intermediary sellers. A record response, elicited some £5m from press which accounted for 43 per cent, the lion's share of the total response.

Burgeoning
Leisure and recreational activities are another burgeoning area for the direct marketer. Brann reports that a mailing of some 800,000 Butlin customers, at a time last year when the holiday caterer was drastically cutting back, netted over £25m worth of holidays. Portland, the Thomson Holiday subsidiary, which spent about £2.5m in above-the-line advertising last year, is reputed to have changed direction and concentrated on mailing past customers with the result that they are already sold out.

Notable, if unlikely, recruits to the direct response advertising include Ladbrokes which undertook a mailing of existing punters in a drive to drum up further business. Last year the Irish Rugby Football Union organised a direct mail shot to 30,000 professional cricketers and companies in a bid to raise £2m for a new grandstand. In the event it secured £23m.

"We are beginning to see campaigning and opinion-forming literature arrive, something that is common in the U.S.," says Brann's Peter Robertson.

The recent spate of lobbyist literature from the International Fund of Animal Welfare, demanding consumer action in protest against the Canadian seal cull, by way of sending out leaflets, is another example of this.

"And the explosion of direct marketing literature—begging consumer attention, there is a feeling among direct marketing agencies already involved in the field, that unless mainstream agencies—more preoccupied with above-the-line media like press, television, cable and satellite—change their stand-offish attitude to direct marketing the UK will miss out on a huge market which will not flourish as it should and as it is doing overseas from Australia to the U.S."

The annual International Direct Marketing Symposium in Montreux, next week attracting some 2,000 delegates representing major business interests around the world, is witness to the potential opportunities of the direct marketing scene.

CASE HISTORY: BUDGET RENT A CAR

Sharper drive for business travellers

WHEN A MARKET is dominated by a brace of well-known names, as the car rental business in Europe with Hertz and Avis, it poses major headaches for rival contenders.

Budget Rent a Car International, the franchise arm of the American car rental company, responsible for the UK, Europe, the Middle East and Africa, and lying third in the European league table, faced such an image crisis last year, when it found itself viewed by many as the poor relation of the rental business. Yet the service it provided throughout its 600 European locations was, it felt, little different to its rivals.

In a bid to widen the scope of its operations, Budget set out therefore, to secure a stronger presence in the international business traveller market, at the same time, enhancing the company image and increasing awareness of Budget as a force in the field. Together with direct marketing specialists Stadden Hughes of Fitzroy Street, London W1, Budget decided to focus on the car rental credit or identification card, a well-proven technique for attracting the business traveller.

The objective was to promote the company VIP Traveller card, which entitles the holder to unlimited mileage throughout Budget offices worldwide. Applicants for the card would also provide a useful mailing list for selling further services to, and possibly an introduction to a number of new company accounts.

The strategy selected for offering the VIP traveller card was direct response advertising with the added incentive of a leather luggage tag as a free gift. This was deemed a timely idea in the light of the recent IATA regulations requiring baggage to be clearly labelled. Insight magazines were selected as the vehicle for the campaign, with their readership heavily orientated towards business travellers thus identifying the target as well as providing instant opportunity for readers to see—at the end of the flight—on the offer. High Life, the British Airways magazine, Atlas, the car rental magazine, and Bordure, the Luxembourg publication carried the campaign simultaneously.

To boost the impact and enhance the company image, full colour pages were used, except in Bordure, where, to save space, the ad headline referring to the VIP traveller card and the leather luggage tag. Readers were invited to respond either through the coupon provided, or directly at a Budget airport desk.

A response package consisting of VIP card, luggage tag, 10 luggage labels, and a mini Budget worldwide directory complete with reservations numbers was devised for respondents.

So what about response? In each of the three countries—UK, France and Germany—some 500 coupons per country, were filed, which exceeded Budget expectations by some 20 per cent.

The total campaign for the three countries cost about £30,000. The quality of respondent was encouraging, with more than 90 per cent at director level. There were also a number of "walk ups" at airport desks.

Feona McEwan

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John Paterson

DIRECT MARKETING III

David Churchill discusses the array of services on offer by the UK Post Office Personal touch pays with direct mail

FOR THE businessman who wants to exploit the potential of direct marketing techniques, the array of services on offer can be daunting. Where to start?

The Post Office, not surprisingly, has a vested interest in promoting direct mail and so has a number of special schemes available to help companies using the post.

First time users in particular are especially wooed by the Post Office. Companies or organisations which have not used direct mail before may be eligible for free postage on from 1,000 to 3,000 letters of their first mailshot, depending on the overall size of their mailing.

Companies that already extensively use the post for their business — spending £20,000 a year or more — can also take advantage of the Incentive Discount Growth scheme. "This scheme was developed with the direct mail market in mind, to provide a facility for companies to test new lists at reduced prices," explains Mr Mike McMann, marketing manager for letter services at the Post Office.

This scheme offers a discount on the real value year-on-year increase in companies' postage bills for inland letter mail. The greater the increase, the greater the discount, up to a maximum of 20 per cent discount on an increase of 10 per cent or more.

Some direct mail campaigns also rely heavily on reply services, such as business reply and freepost. Normally the charges for these services are an annual licence and postage plus 4p on each item received. But first time users of these services may be eligible for special introductory offers, which waive the licence fee and reduce postage to no postage to pay on the first 300 replies.

Established users of the business reply and freepost services who receive more than 50,000 items a year can apply for special discount rates. Based on a sliding scale, the discount starts at 40 per cent of the additional 4p postal fees

and goes up by stages to a maximum of 70 per cent for 750,000 or more.

These are only some of the special Post Office discounts available — full details can be obtained from a Post Office local sales representative.

Direct mail, however, does not end with the UK market and the Post Office is also keen to exploit new markets overseas. To enable exporters to test the value of direct mail as an international marketing medium, the Post Office has a free postage scheme for first-time users. "This means that an exporter who has not previously sent an overseas direct mail shot qualifies — even if he has already sent direct mail shots in the UK," says John Gibbons, marketing manager for international services at the Post Office. Overseas postage costs up to £22 are free and an exporter can qualify for up to £550 worth of free postage on bigger postings.

Growing area

Using direct mail, however, also requires that the company concerned has a list of addresses of people who might be expected to respond to that mailshot. The list business is a rapidly growing area of direct marketing, estimated to be worth at least £12m a year on its own.

A reasonable list can be worth £20,000 a year in extra income for the list holder, who gives information every time a coupon is clipped from a magazine or newspaper or a name and address written on the back of a cheque.

The list business is structured so that the list owner and the client are often brought together with the aid of a list broker. The broker advises, searches and negotiates for lists and handles the administration. In return, he takes a percentage of the list price from the owner's fee, often 20 per cent. List brokers are a perfect example of a breed that has developed to fill a market gap in the direct mail business,

often themselves having a background in publishing or direct mail in some form.

List brokers, however, still have difficulties in persuading companies to part with lists of people they have on file although brokers prefer to believe this reticence is due to lack of understanding about lists rather than any strongly held belief in maintaining consumer privacy.

One criticism of the list broking business is the high level of fees charged for lists in comparison with the cost of lists in the U.S., where the business is much larger and more established. The brokers respond by pointing out that computerisation of lists was achieved much earlier in the U.S. and, since the market is larger, the economies of scale are therefore much greater.

To help tackle some of these problems and to improve the list brokers' image, the British List Brokers Association has been formed with the aid of most of the major brokers in the business.

Finding specialist help with

TOP 20 DIRECT MAIL GROUPS IN UK

Company	by profit margin		Sales		Profit/Sales Percentage	
	Profit Before Tax	£000	£000	£000	£2/83	£1/83
Time-Life International	515	47	1,322	1,188	39.1	4.1
Oxfam Activities	787	689	3,979	3,558	19.6	19.4
Dale House Mail Order	125	178	581	524	18.4	21.6
Halwins	81	94	444	450	18.2	20.9
J. D. Williams and Company	1,352	1,294	10,304	8,883	13.1	14.6
J. A. Davis & Son	39	46	334	321	11.7	14.3
Unwins Seeds	293	115	2,704	2,821	10.8	4.1
The Great Universal Stores	201,284	189,181	2,048,000	1,837,000	9.9	10.3
N. Brown Investments	3,007	2,069	31,331	26,981	9.6	11.4
Folie Society	199	212	2,127	1,905	9.4	11.1
The National Magazine	3,971	4,207	45,665	40,822	8.7	10.3
Farepak Hampers	708	545	8,322	4,690	8.5	11.6
World Wildlife Fund (UK)	89	15	1,105	1,672	8.1	1.4
Oxendale and Co.	408	393	5,696	5,784	7.3	10.3
Ambrose Wilson	828	538	12,548	9,673	7.2	9.7
Britannia Music Company	592	-5	8,436	9,479	6.9	-6.1
Linguaphone Institute	725	668	16,654	16,801	6.8	6.2
Readers Digest Assoc.	3,897	3,885	59,411	55,682	6.4	7.0
Marshall Ward	2,912	2,687	49,170	43,131	5.9	6.2
Maplin Electronic Supplies	154	10	3,055	2,562	5.0	0.4

potting together a direct mail campaign depends on a number of factors, suggests Mark Elwes, executive director of the Direct Mail Producers Association. First, he suggests, is the question of scale. "If the campaign involves the production of several million items of mail over a limited period, then an agency with the capacity for such bulk is essential."

However, he says that "a smaller or more specialised campaign may well be more suitable for a smaller agency." He adds that "it may be that a project calls for specialist knowledge of a particular industry or a particular subject, or for specialist technical facilities."

The Association publishes a useful booklet listing all its

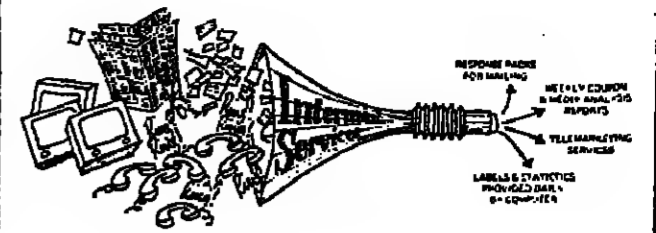
members and giving details of the areas of activity in which they specialise. "Once you have selected an agency or a short list of agencies which seem to suit your particular needs, a telephone call followed by a personal visit is usually the most practical first step," he says.

Profitable

One growth area in the services offered by direct marketing companies appears to be personalisation of both products that are sold and the information that is sent to potential customers. "For direct response companies, faced with shrinking margins and higher overheads, personalisation promises the most profitable

area of merchandising for many years," suggests Stephen Sherwood, managing director of Sherelle International. "Those mail order and direct response companies that have tested personalised products have found that they can once again achieve the margins that they need, in addition, they have on average reached a higher level of response with a minimum number of returns."

W. H. Smith group, were among the first mail order companies to see the effect on sales of personalising a product. At the same time, organisations such as the Consumers' Association, Reader's Digest, and American Express have discovered the benefits of personalising special offers to customers.



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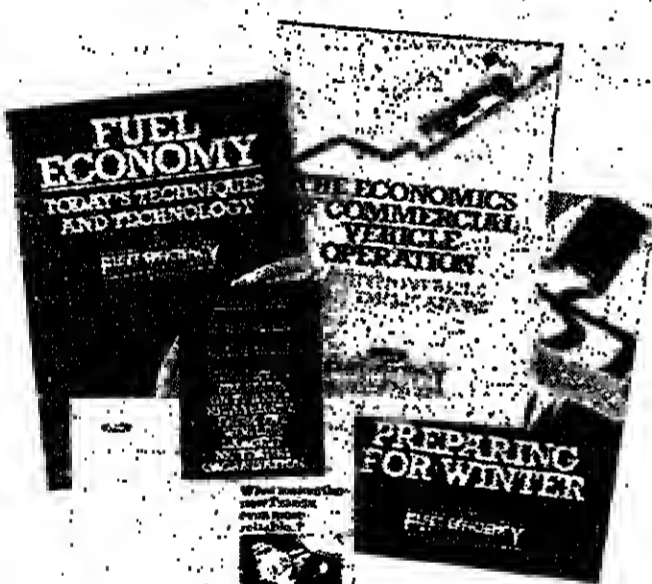
01-743 6141

So many people cut the coupon, the Government cut the campaign.

(© Wight Collins Rutherford Scotted)



CASE HISTORY: FORD



Keeping the top truck image

"FORD GIVES you more" goes the slogan and that is just what the UK's number one commercial vehicle manufacturer sets out to prove with its continuous direct marketing campaign, now running into its third year.

Such methods are proving a highly profitable sale pitch for ensuring market dominance, a position Ford has enjoyed for the past 12 years.

Ford's very supremacy, however, in what is a fiercely competitive field, poses its own problems. How to continue the 'top truck' momentum, spell out the message of quality of service in fresh language, how to sustain customer confidence, how to woo the consumer base by generating new leads for more specific mailing activity aimed at Ford's 140 specialist truck dealers... these have been prime objectives of the campaign.

Together Ford and specialist Christian Brann have pursued a vigorous direct marketing route, finely targeting key transport managers of companies operating commercial vehicle fleets. The decision to go the 'direct' route was taken because this commercial market was readily identifiable through existing mailing lists.

The initial Ford mailing in 1982 was 110,000 companies. This has now grown to some 145,000 companies about which Ford now has vital fleet information.

Such a detailed database has given Ford a valuable target group for future sales efforts, as well as, in Ford's view, considerable edge over its competitors.

The programme is focused on a series of glossy information booklets called, somewhat grandly, the Ford Fleet Em-

gency Guides. Free to start with (though you pay for back the set and bind them for keeps. They provide authoritative, practical help on all aspects of transport management.

Subjects covered so far include Fuel Economy, the Economics of Commercial Vehicle Operation and Preparing for Winter. Coming soon is New Vehicle Finance which will incorporate the effects of the recent Budget on vehicle purchase.

All mailings are personally addressed with reply-paid envelopes which invite a response by way of request forms for further free copies of the latest guide, together with a request for details of the respondent's vehicle fleet. Response to the guides has been "highly successful," says Brann.

This exercise has also supplied Ford with a detailed profile of over 70 per cent of UK commercial fleets, in terms of numbers of vehicles run, their makes, weights and body types. On the back of this information the Ford dealer network is able to identify new prospects and Ford itself can specifically target an appropriate audience of individual models, new products and improvements to existing vehicles.

The success of this strategy is underlined by the fact that one mailing for the Ford Cargo truck last year costing £28,000 brought in sales of £750,000 and a series of mailings for the Ford Transit van produced 2,500 new prospects with a specific interest in Transit vehicles, hot leads for the Ford salesmen to pursue.

Feona McEwan

28,000 more people picked up the phone than picked up the scissors.



After all, what could be easier? They simply had to dial 100 and ask for Freefone Enterprise. All you have to do to find out about a most effective way of getting direct response for your company is dial 100 and ask for Freefone Marketing Services!

British TELECOM

DIRECT MARKETING IV

2,000 gather for Montreux symposium

MORE THAN 2,000 participants are expected at the direct marketing symposium and exhibition to be held in the Swiss resort of Montreux at the Congress Centre (right) between April 30 and May 4. The event claimed to be the biggest international meeting of the direct marketing sector, is the 16th of its kind and contains a comprehensive conference programme with a specialised goods and services fair and meetings of the European Direct Marketing Association (EDMA).

A major part of the conference will be given over to symposiums on individual aspects and applications of direct marketing. These include programmes on the use of direct marketing in editing and publishing, in financial services, for product manufacturers and in "selling to the consumer".

In addition, a new symposium has been added to



The Montreux event in the form of a programme on direct marketing methods in the sale of pharmaceutical products.

Special seminars will be held on how to solicit new subscribers, on relations with the Post Office and on computer services, direct marketing for advertising agencies and the print and electronic media.

General interest events include a half-day presentation "principles of direct marketing", chaired by Dr John D. Erickson of the

American Ethic Society, and a two-day seminar on the "Dialogue Method" of Siegfried Veepele, of the Munich-based Institute for Direct Marketing.

Some 150 firms will be presenting their goods and services at the Montreux exhibition, including advertising and direct-response agencies, consultants, telephone marketing services, address-book publishers, media, printers and envelope suppliers and various EDP services.

In connection with this

event there will be a special "catalogue show" of over 2,000 mail-order catalogues, prospectuses and mailings from all over the world. A new catalogue directory is also being sold by the exhibition organisers at a price of \$975,250.

The programme will also include a number of EDMA and social events. In connection with the Montreux meeting, the association is offering symposium participants a 50 per cent reduction on their joining fee.

John Wicks

David Churchill reports on the UK industry's efforts to improve its image

Post Office help in moves to screen mailing shots

DIRECT MARKETING in the UK has always had something of an image problem, a consequence of rapid growth attracting the "cowboy" operators whose sole aim has been to make short-term profits irrespective of the long-term harm to the industry's image.

Over the past year or so, however, the industry has begun to put its house in order and appears so far to be winning the battle to build up public confidence in direct marketing techniques.

The catalyst in this clean-up of the industry's image has been the Post Office which has latched on to the potential benefits of promoting direct marketing in the UK. Already direct mail shots account for about a tenth of the Post Office's letter business and the proportion seems set to grow with the Post Office's continued support.



Sir Gordon Borrie, Director General of Fair Trading, is seen in a warning that voluntary control in the UK needs strengthening to avoid a statutory code of practice to respect consumer's privacy. Right, Mr Anthony Painter, director general of the British Direct Marketing Association, in favour of an international code of practice.



Mr Anthony Painter, director general of the British Direct Marketing Association, is seen in a warning that voluntary control in the UK needs strengthening to avoid a statutory code of practice to respect consumer's privacy. Right, Mr Anthony Painter, director general of the British Direct Marketing Association, in favour of an international code of practice.

adopt a code of practice to respect the consumer's privacy, to be honest and courteous when making the call, and to give the consumer a "cooling-off" period in which to pull out of any agreement made as a result of the telephone call.

"If voluntary control proves inadequate, I will consider recommending the introduction of statutory regulations similar to those adopted in some other countries," says Sir Gordon Borrie, Director General of Fair Trading.

An international code of direct marketing practice might not be such a bad thing, according to Mr Anthony Painter, director general of the British Direct Marketing Association.

"Mr Painter told last year's direct marketing conference held in Montreux that the British direct marketing industry was trying to harmonise its own codes of practice and self-regulatory devices. Our task would, I believe, be much easier if we were able to claim that we were adhering to international standards for direct marketing."

However, he confessed to being pessimistic about an international code being agreed because of the rivalry between the U.S. and Europe in this area and also because the industry was too short-sighted. "It is an industry which seems to live only for tomorrow," he said. "The day after is left to chance."

The other key development has been the setting up of the Direct Mail Services Standards Board, an independent body with the financial backing of the Post Office.

The board has two main functions. Firstly, from June last year it started a recognition scheme for direct mail agencies. To qualify, the agency must satisfy the board that it complies with the codes of advertising, Standards Authority and provides services only to clients who subscribe to those codes and contribute to the levy imposed by the ASA board of finance to fund the system once recognised. Direct mail agencies are then able to use the board's symbol on their literature.

The test does not end there, however. Recognised agencies are then required to make annual submissions of their trading accounts for the previous year and the board can withdraw recognised status if it finds the agency does not come up to standard.

The "carrot" for agencies which became recognised is that they qualify for a refund of about 1 per cent on their annual postal bills for mail shots—a refund provided by the Post Office.

It is not only in the direct mail area of marketing techniques, however, that concern is being expressed about standards. In telephone selling, a fast-growing area of direct marketing, the Office of Fair Trading has taken a close interest in the consumer problems that arise from unsolicited telephone calls.

As direct mail has grown as a marketing technique, so has the amount of unwanted mailing shots sent to consumers. The mailing preference service enables consumers who find such unsolicited mail an intrusion, into their privacy to "opt-out" of direct-mail lists.

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Positive step

The snag is that consumers have actually to take the positive step of obtaining an application form to have their name entered into the service. So far almost 15,000 people have asked to have their names excluded from mailing lists—although over 1,000 people have asked to have more mail sent to them about certain product areas in which they are interested.

Some 107 direct-mail operators are part of the service, and more are being recruited. Each member-company pays a subscription fee of £1,000.

The service is not entirely altruistic in that direct-mail companies have a vested interest in keeping recipients of mail shots happy (otherwise they will not want to buy the product or service being offered) as well as not wanting to waste stationery and postage on people who do not want unsolicited mail. In addition, for every name deleted from the list, a new name can be mailed at no extra cost.

According to the information sent to consumers, deleting their names should lead to their receiving "fewer mail-order catalogues, book and record club offers, introductory offers of magazines and other subscriptions, household and garden requisites, and many other products."

It appears, however, that obscene and other offensive mail shots will not be stopped because "companies supporting the mailing preference service do not send such mailings and therefore the service cannot help."

Telephone calls

In a special survey carried out last year for the OFT, it was found that of 1,500 adults who had a telephone at home, about a fifth had received unsolicited telephone calls. Generally, it was those in London and the South—and who were in professional and executive jobs—who were more likely to have received such calls. The average number per recipient was 2.5 per year, according to the survey.

The reasons for the growth of telephone selling as a marketing technique are twofold. First, it has the advantage of being more immediate than other forms of direct marketing and also the contact between salesman and consumer can be especially use-

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In the United States the direct marketing medium now enjoying the largest expenditure is not TV or the press or even direct mail. It is the telephone.

The reason for this is that the telephone is being used in a totally new way. Companies like ICL Austin Rover, Keith Prowse and Royal Viking Line are already discovering this in the UK. A carefully scripted outbound telemarketing programme can be a direct line to increased profits for you. And we in British Telecom were convinced very early on of the future for telemarketing.

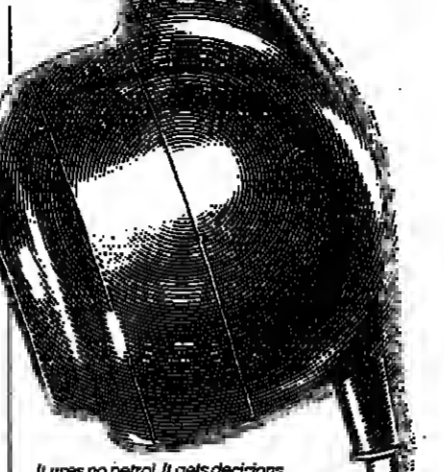
In recent months an impressive roster of blue chip companies have called upon our services... and are reporting impressive results.

difference in response can be quite staggering. A telephone programme can produce a percentage response two, even five times larger than direct mail offering the same product or service. Frequently after the direct mail has already been tried.

Thus for many purposes, although the telephone is not cheap, in terms of cost effectiveness it can be the best medium of all.

Of course the telephone does not have the problems every other medium faces. When that telephone rings, people answer it. No other medium gets such an instant response. Not television, not radio, not the press—nothing. Even a salesman may fail to get in where the telephone can succeed.

And there are other significant benefits for the marketer who is keen to get impressive results fast.



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You can use the telephone, obviously, to sell your product or service to your target market. In this way it is just as accurate as direct mail. But you can mount a telephone marketing operation much quicker. No waiting for print and production. You just reach for customers instantly with the push of a few buttons.

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Once you have sent out a mailing package or an advertisement or commercial, that's it. You can't change it without considerable expense and time being involved.

Because the telephone is an interactive medium you can discover very quickly which part of your sales message is working—and which part isn't. You make valuable discoveries about your customers' attitudes and needs. Its acting as a research tool.

So you can change your message virtually overnight. You could never do this with another medium.

You get instant results.

It doesn't matter what you are trying to do—to get orders, to renew subscriptions, sell in a new product, test a price... you know instantly whether you have a winner or not. The telephone eliminates much of the trial, error and wasted leadtimes of conventional marketing.

It uses no petrol. It costs decisions from 4 to 6 pence to 15 pence every hour. It's never sick. It gives exactly what you want. It works.

Only when you come in and see how carefully communicators are trained and how the messages they send out are monitored... how the natural ebb and flow of conversation between the prospect and the communicator, can you really appreciate what this business is all about.

We invite you to send now for further information. We have a carefully prepared brochure "A Direct Line to New Profits" which explains exactly how Telecom Telemarketing operates. After reading it you will probably want to come and talk to us and visit our facility and see exactly how things are done.



But the important thing to do is to take the first step. The sooner you do it the sooner you can get this penetrating, fast moving new marketing medium to work for you. Simply pick up your phone now, dial 100 and ask the operator for Freefone Telemarketing. Why not do it now?

British TELECOM

Telecom Telemarketing, 55 Ebony Bridge Road, London SW16 6BT. Telephone: 01-723 9441.

HOW TODAY'S TELEMARKETING WORKS.

The key to today's telemarketing is *controllability*. This is only possible when you have carefully prepared, tightly scripted telephone messages going out in large numbers to targeted prospects.

For years many people believed that a scripted conversation would sound stilted and unnatural. But in the hands of skilled telemarketing communicators a scripted conversation can sound just as natural as, for instance, dialogue on a TV show.

WHAT TELECOM TELEMARKETING CAN DO FOR YOU WHERE OTHER MEDIA FAIL.

If you look at the telephone as a marketing medium and not just an instrument of communication, then it has some very substantial advantages. Starting with the results it gets.

Direct mail—the next most personal marketing medium—is a good one to compare with the telephone.

The approach is similar. But the

Referring to the telephone *The Times* observed that "The most cost-effective marketing tool invented is lying unused on desks up and down the country."

Telecom... Important news from British Telecom... Important news from British

"Where can I get independent, top level, direct marketing advice...?"

From INTERNATIONAL ASSOCIATES

Time and again senior managers ask this question. Unfortunately, time and again they fail to get an answer or at least a satisfactory one—because what they are asking for is in very short supply indeed...

You are undoubtedly aware of the rapid growth of direct marketing that is taking place throughout the world... growth that has created extraordinary opportunities, particularly for companies who have not traditionally applied direct marketing techniques.

The trouble is—this unprecedented explosion has created its own problem—there are too few knowledgeable direct marketing professionals to meet the demands of marketing companies—THAT IS WHY INTERNATIONAL ASSOCIATES IS UNIQUE.

- Some of the services we offer:**
- Help in deciding whether your company should add direct marketing to its marketing mix.
 - Direct Marketing Audits—The independent assessment of existing projects and opportunities and the maximization of both.
 - Business Opportunity plans—Strategic planning and development of direct marketing projects including the creation of effective and measurable plans.
 - Creation of copy and layout for Direct Response advertising and mailing programmes.
 - Advice on and implementation of database management programmes for more effective use of existing customer files.
 - Advice on acquisitions and disposals of direct marketing businesses.
 - Evaluation of new media opportunities including teletext, cable television, personal computers and satellite broadcasting systems.
 - The preparation of presentations to senior management, seminars for employees, and training programmes.
 - Determination of personnel requirements and help with recruitment.

- Some of the many fine companies we work with, worldwide**
- | | |
|------------------------------|--------------------|
| Alfa Romeo | AT&T |
| British Petroleum | Citibank |
| ITT | American Express |
| The Royal Bank of Canada | American Bell |
| The Host Group | Corning Glass |
| Satellite Television Corp. | Johnson & Johnson |
| BDDO International L'Express | Shell |
| General Direct | Rank Xerox |
| AFIA Worldwide Insurance | Tex Instruments |
| Alitalia | Pirelli |
| Editors Abril | 3M |
| National Westminster Bank | Reader's Digest |
| Harlequin | Time-Life |
| Polygram | Volvo |
| Bank of Ireland | IBM |
| | J. Walter Thompson |
| | Imprimare |
| | UNICEF |
| | Financial Times |
| | Nixdorf Computers |

How to find out more

Whether you are a product or service company or advertising agency, if your company would like to know more about how this major new international resource could add strength to your total marketing effort, contact any of the Associates or INTERNATIONAL ASSOCIATES, Neumannstrasse 6, Postfach 214, CH-9032 Zurich, Switzerland. Telephone 01-69 49 50. Telex 58896. You'll hear promptly from one of the associates.

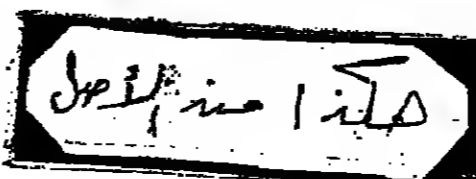
Internationally Acknowledged Leaders

Each Associate is an acknowledged leader in the direct marketing industry in his own country. All have had senior board-level responsibility for direct marketing (usually as Chief Executive Officer) and each has extensive international experience.

Through INTERNATIONAL ASSOCIATES the talent and breadth of experience of any or all of the Associates can be made available to you on a consulting basis. That's why Associates are presently working for a wide range of companies throughout the world.

INTERNATIONAL ASSOCIATES

- | | | | |
|---|--|--|---|
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35 Rue de Turin
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LPS
Cora Vassallo, 16
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Italy
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Telex 340419</p> | <p>Robert D. Kleinbaum
Kleinbaum & Company
221 North LaSalle Street
CHICAGO, Illinois 60601
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Telex 706485</p> | <p>Lail R. Fogelberg & International
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Vingevägen 3
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Neumannstrasse 6
Postfach 214
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Telex 58896</p> | <p>Stammaro S. Tomasi-Nervio
Tomasi-Nervio Direct Ltd.
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LONDON SW3 6PS
United Kingdom
Telephone 01-351 0048
Telex 0614804 BCL DMS</p> | <p>Begary Gaulty
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Midgeholme, THORNTON 105,
JAPAN
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Telex 252227</p> |



DIRECT MARKETING V

Jason Crisp looks at the dramatic effects computer developments are having on refining the industry

Technology provides an accurate marketing tool

THERE ARE some who dream of a brave new "high tech" world. In that dream we all happily indulge in "teleshopping" and "teleshopping" from the comfort of our armchairs.

The "home terminal" will still resemble the commonplace colour TV but it will be used for communicating, entertaining, educating, and choosing goods, ordering them and paying for them at the touch of a button.

The visionary in the marketing department might think this would be heaven. Sophisticated powerful computers could identify with great accuracy potential customers who could be sent glittering video promotions cheaply and quickly. The customer would buy and the money would be in the bank before you could say "microchip."

Fortunately such a nightmarish dream is improbable. Nevertheless, technology already has had some dramatic effects on the techniques of direct marketing and it is also bringing new media to the art. In fact through video discs and videotex services such things are already possible on a limited scale.

Direct mail has been revolutionised by the computer and laser printing. Some 15 or 20 years ago direct mail had been done by rows of ladies at typewriters ploughing through the electoral rolls.

Sophisticated

Today there are sophisticated computer databases as broad and as narrow as you would want. Many companies offer ingenious programmes for identifying the best potential customers, bringing together for the first time a range of data from different sources. The computer, combined with an aggressive attitude on the part of the Post Office, has probably been the major reason for the success of direct mail in Britain.

The video disc and video tape recorder are quickly catching on as a major marketing tool. Even videotex—or videotex—is at last beginning to show commercial potential and it is also being used in a wide variety of applications, albeit on a limited scale. Significant moves include:

- Summed Holidays has had over 5,000 requests for video tapes of its holidays which it advertised in its brochure and colour supplements. The company now has a selection of videos on its holidays from Greek islands to skiing in the French Alps. The company is one of the first to exploit the opportunity of marketing directly to the public via video. It is a recognition that video has achieved mass penetration in the UK, which has the highest concentration of video recorders in the world—over 30 per cent of homes possess a VCR.

- International Business Machines spent £2m on a sophisticated interactive videodisc system which it hopes to sell to its 1,000 European dealers which handle its highly successful Personal Computer (PC). The videodiscs are linked to IBM PCs and can be used for training the dealer as well as a highly effective selling tool.

- The programme on the disc—made by the London-based EPIG Industrial Communications—has been made so it can be used to sell to first-time computer buyers or the most sophisticated. The programmes shown on a special TV screen include slides, film, graphics, animation and text.

- Using a touch sensitive television screen the customer can follow his own inquiries, with the viewer being guided by the computer. The video disc is the sophisticated Laservision system developed and made by Philips, the Dutch electricals group.

- Video disc players are also being installed in advertising agencies to give detailed information on media advertising rates by the recently-formed company Mediadisc. A number of major companies are looking at using interactive video discs for training and marketing.

- The main competition is between the Philips Laservision and VED the system developed by Victor Company of Japan (VCJ) and being sold—for commercial and industrial use only—in the UK by Thorn EMI.

- The British Post Office has installed videos in 500 main post offices which advertise the services of major companies, government departments and the PO itself. The screens show a 15-minute-long programme of commercials repeated throughout the day for five weeks. The PO claims it is likely to be seen by 20m people.

- A number of retail outlets are now trying video in shops. Companies involved include Olympus, Top Shop, Woolworth, Mothercare, and Boots.

- Videos have been used by a wide range of companies to market their products in a variety of ways. These include the launch of the Sierra, Anglian Windows' promotion of double glazing, Barclays selling banking services to newly marrieds, Richard Ellis promoting office developments for potential tenants and Rentokil promoting pest control to farmers.

- In the U.S., three major companies—CBS, the broadcasting giant, IBM the computer group and Sears Roebuck the retailing group—have set up a joint venture to provide a commercial videotex service for home computer users.

- Prestel, the world's first public viewdata service which has been pioneered by British Telecom at great expense and little early success is beginning to look much stronger. A scheme run by the Nottingham Building Society which gives account holders a free Prestel adaptor and an opportunity to use it for home banking and shopping has been a considerable success. Prestel can also be used for booking theatres, and hotels and goods can be bought using the major credit cards.

- Farmers can buy raw materials for animal feeds on Prestel via a service from Mill Feed Services. Home buyers can get direct access to information on about 40,000 properties on Prestel from the National Homes Network which has over 200 firms of estate agents. The English Tourist Board is developing a system which will enable anyone with a Prestel terminal to book holidays directly in the UK.

New medium

Teletext, the broadcast service which sends pages of information has created a new medium well suited to direct selling. Again the service has been pioneered in Britain with over 1m TV sets now able to receive the BBC and ITV teletext service (Ceefax and Oracle respectively).

The new technologies and media which are becoming available for direct marketing are providing greater accuracy and greater impact, and are a long way from the image of the poorly-printed leaflet stuffed through the door.

The Post Office, which has been very successful in developing the direct mail advertising in the UK, is itself trying to exploit the new technology, with its Electronic Post service.

This is a computerised mass mailing service. Anyone using the service supplies the Post Office with the artwork for its letterhead, the text of the letter, and a computer tape with a list of all the addresses to which it is to be sent. The Post Office's own computer sorts the addresses into

post code areas and the information is sent to six regional centres based at major sorting offices. There the letters are printed by laser, put into envelopes—with up to four inserts—and fed into the first class mail system.

The Post Office move into electronically mailed letters considerably upset the traditional suppliers of direct mail services—which are also major customers of the Post Office. As a consequence the Post Office has altered the emphasis of Electronic Post away from direct mail towards being a premium service.

Growth area

Most direct mail companies, however, are using computers to offer a much more sophisticated service. The personalisation which is made possible by the computer and the much higher level of printing as a result of laser printing has

turned direct mail into a major growth area.

The better printing and personalisation approach has greatly improved the response rates. As the Post Office is quick to point out, direct mail is the third largest advertising medium after Press and TV. It says £32m was spent on direct mail in 1982.

New technology brings its problems, however. Michael Corby, director of the Mail Users' Association reflects: "New technology is demanding greater planning over a longer period."

"Direct marketing is an opportunistic business so there is still the question of how soon it will develop to a stage where it is really useful. If you are involved in mailing in the old ways there was always plenty of chances to hedge things up if you have late additions. With new technology the tolerance for error is reduced dramatically."



THE POST OFFICE'S new Electronic Post Service. The computerised system is based in six centres. A sophisticated laser printer produces complete letters, including an organisation's logo. A customer sends the text of the letter and the addresses to the Post Office on a computer tape. The PO's own computer sorts the addresses and sends the information to the appropriate centre. The letters are

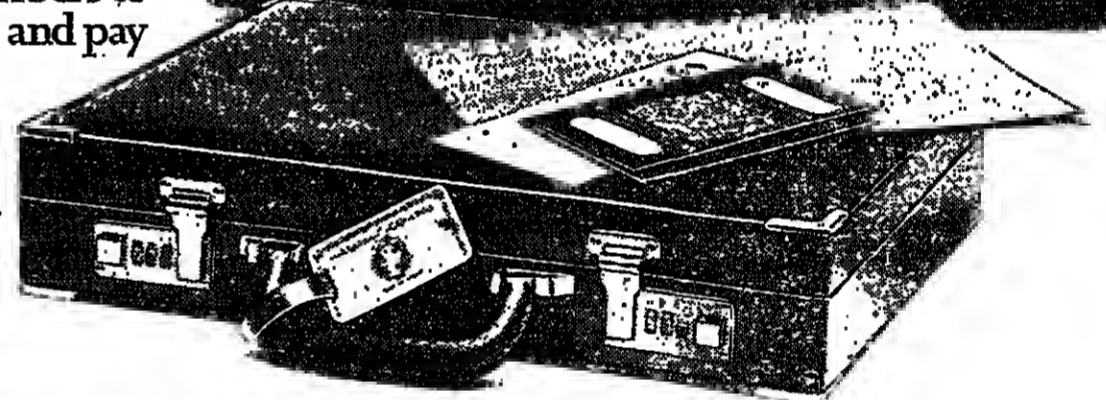
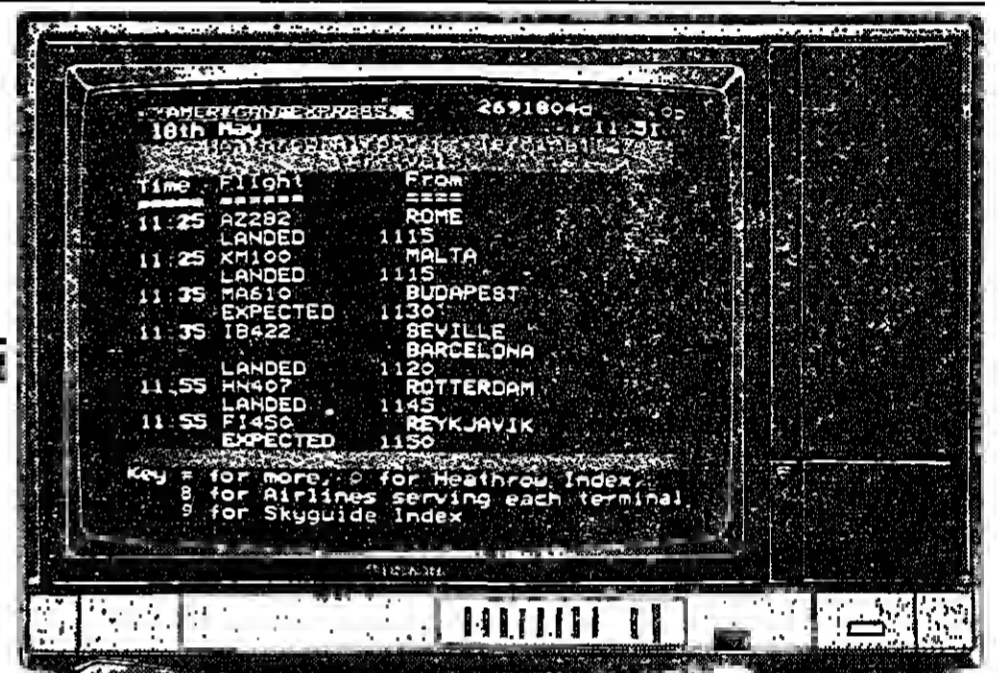
printed, put into envelopes and added to the first class mail. The priority service enables letters to be delivered the day after the PO receives the computer tape. The PO is now looking at ways in which the information can be sent direct from the customers' computers to its own without having to send a computer tape.

Total capability in communications.

The technological revolution in direct marketing has begun and the National Networks division of British Telecom is busy providing the communications links that are vital to its progress.

"Off the screen" marketing is already in being through Prestel. In the Midlands, Homelink enables subscribers to do their shopping, their banking, to book holidays and pay bills without leaving their own firesides.

A key element in Homelink and other such developments is National Networks Packet SwitchStream (PSS) - which provides digital data transmission of the highest quality at a fraction of the cost of private leased lines.



TODAY: MARKETING OPPORTUNITIES



Unique and award-winning

American Express makes the integrity and economy of PSS data lines part of its marketing mix through an ingenious and award-winning programme.

A high proportion of Cardmembers travel regularly by air. American Express reaches out to them and to prospects through its unique SkyGuide* service. This makes publicly available through Prestel virtually up-to-the minute flight arrival and departure information from the 12 leading UK international airports. SkyGuide works 24 hours

a day, 365 days a year. It monitors some 700,000 aircraft movements a year, covering around 57 million passengers. Prestel subscribers can access this valuable information for just 10p plus the cost of a local telephone call. And they are currently doing so 100,000 times a month.

The ingenious SkyGuide programme has won awards from the British Computer Society for applications, and from the European Direct Marketing Association for an outstanding contribution to the direct marketing of high-tech products.

It enables the American Express viewdata computer in Brighton to monitor and reproduce in a standard format, flight information that appears in disparate forms at each airport. Both data integrity and overall cost dictated

the choice of Packet SwitchStream for the vital link between the airports and Brighton.

An elegant example of total capability in communications—via National Networks.

*SkyGuide is the business name of American Express Flight Information Display Service.

ANY QUESTIONS?

Phone us on 0272 293586.

Or clip this coupon to your business card or letterhead and return it to: National Networks, Freepost (BS3333) Bristol BS1 4YP.

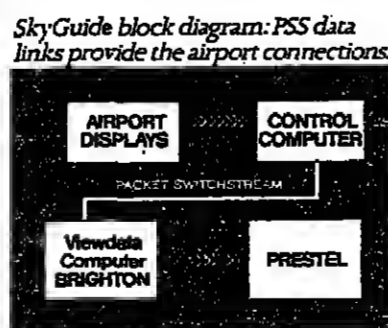
Please tell us more about National Networks and its services for business.

NAME

POSITION

SIGNATURE

FTSS



DRG turn envelopes into advertisements.

Your envelope is the first thing a prospective client sees. You've paid to put it right into their hands. Are you making the most of it?

A well-designed envelope does more than simply contain the mail. It creates interest. It provokes curiosity. It says a lot about your company before it's even opened.

DRG creates envelopes that get noticed. We can take your envelope and turn it into a hard-working sales tool. With printed messages or corporate insignia on the front, the back or the inside of your envelope.

We know the Post Office pre-requisites and the requirements of mechanical insetting machines. And we offer a wide range of shapes and sizes, on a variety of plain, tinted or coloured stock.

You only get one chance to make a good first impression. Make the most of it. With DRG custom-made envelopes.



DRG Envelopes, Apsley, Hemel Hempstead, Herts. HP3 9SS. Tel: 0462 42124. Telex: 826382.

British TELECOM National Networks

The power behind the button.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Women in business

Katie's Kitchen: serving the big chains

"WE USED to love cooking—we hate it now." So says Vivienne Flowers and Jenny Leader, founders of Katie's Kitchen...



Jenny Leader (left) and Vivienne Flowers: 35,000 pizzas a day

On his first day she still there. Even though the company was growing, commitments at home were still fulfilled...

gone out of their way to help. "It's too late now to come into the business as we did without any money..."

Elaine Williams

'Brain drain' hits ICFC

BY TIM DICKSON

ICFC, the UK's best known provider of long-term finance for small companies, is suffering from its own "brain drain."



Robert Smith

Publicly ICFC is philosophical about the defections and claims that they are a reflection of its own expertise and position in the marketplace...

A voyage of self-discovery



"WITH TWO small children—two aged three years and the other 18 months—I wanted to work from home and fit them into my life a bit more..."

"I was not motivated primarily by an over-riding desire to be in business for its own sake..."

had no idea of the likely response. "People don't realise that if you go on your own there is a whole world out there waiting for you..."

scheme for encouraging young musicians. "The PR company, for example, asked me to do a feasibility study—something I'd never done before..."

Tim Dickson

Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

ERS ERDOEL-RAFFINERIE SPEYER ELF MINERALOEL GMBH & CO. Has closed down their refinery at SPEYER/WEST GERMANY during April 1984. PLANT EQUIPMENT OR COMPLETE PROCESS UNITS ARE FOR SALE.

For further DETAILS CALL or TELEX immediately ERDOEL-RAFFINERIE SPEYER. REFINERY MANAGER AM NEUEN RHEINHAFEN 12 A D-6720 SPEYER.

ARE YOU PUTTING COSTLY SQUARE FEET INTO HUNGRY ROUND HOLES. DISTRIBUTORSHIP. LONG-TERM SECURE RISING INCOME. WE SPECIALISE IN FRANCHISE AND DISTRIBUTORSHIP DEVELOPMENTS AND SHARE PARTICIPATION SCHEMES.

By Order of the Joint Receivers, D. L. Morgan, Esq., F.C.A. and R. C. Turton, Esq., F.C.A., of Spicer & Pegler. MODERN FOUNDRY BARKING, ESSEX. Freehold Buildings, 78,855 sq. ft. Site Area 5.6 acres.

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FOR SALE as a going concern, alternatively as a well-equipped factory suitable for a company looking for further manufacturing capacity: PHARMACEUTICAL FACTORY geared to the manufacture of injectables and oral liquids, situated in Southern Ireland.

Finance. Everything you should know to start your own business, raise money, find equity. Over 200 names and addresses. At your Newsagent NOW!

For Sale. PUBLIC CO. FORMED 1917. Wide Articles of Association, quote suspended voluntarily. Majority shares in same hands since 1982.

Chinese Food Wholesaler. The Joint Receivers and Managers wish to dispose of the business of Skee Food Group Limited. The business comprises: * Leasehold cash and carry warehouses located in Belfast and Bristol selling Chinese food.

JUDGES LIMITED. The Joint Receivers offer for sale * Plastic injection moulding tool for a photograph storage cassette previously marketed as "PICPAK".

FOR SALE. Extensive manufacturer of high technology cutting tools sold world wide. 17.5 million per annum. In East Midlands. Turnover 1983 £2.5 million.

KENT COAST HOTEL. 80 Bedrooms, Billiard, large Bar, Leisure Centre, indoor heated Swimming Pool, lift, fenced garden, car park. Excellent business for many years. Very good advance bookings. Turnover £100,000. Profit £12,000. Price £250,000. Freehold.

THE SWISS INN. 33 The Promenade, Bridlington. A fine opportunity to acquire a thriving cafe/ice cream business. Turnover £20,000. Price £50,000. Rent £2,750 p.a. STRONG POSSIBILITY OF EXPANSION.

THE ARTS

Così fan tutte/Covent Garden

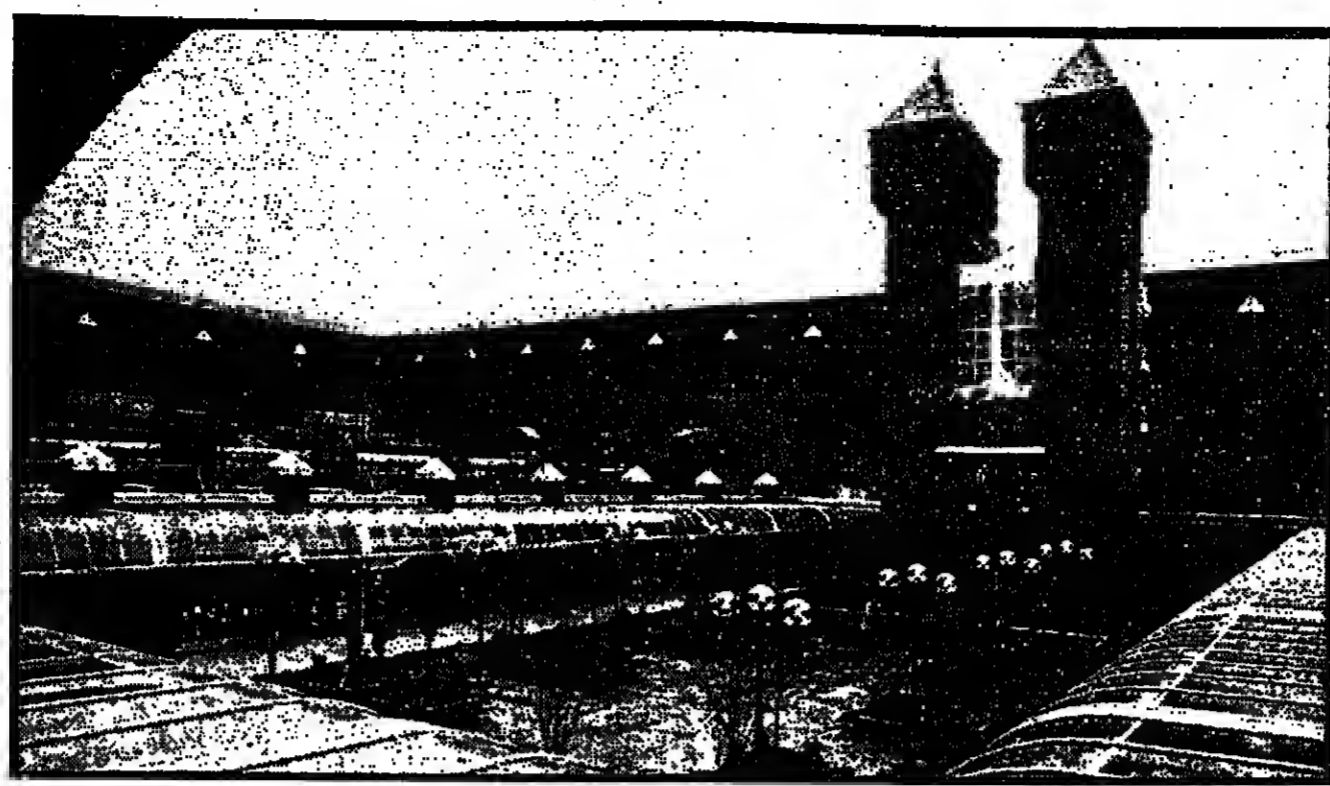
Max Loppert

The ways of our Royal Opera are strange indeed. The latest revival of its 16-year old Così, which began last Thursday during a week of Midland Bank-sponsored Proms, is a case in point. All six singers are new to their roles in this house...

Having done so, the artistic administration then elected to torpedo virtually any hope of realisation of that potential by offering the conductor's post to Christoph Eschenbach. If the programme biography contains a full list of the renowned pianist's previous engagements, this is his second operatic assignment (the first was a Traviata in Darmstadt)...

This was disheartening enough. But the John Copley production, which even in its pristine estate was ever ready to indulge in an excess of comic

manoeuvres, has in Christopher Renshaw's care collapsed to its lowest level yet of gross high jinks, and in sum, with the disparaging of Henry Bardoni's sets all too nakedly apparent, an opera that can seem to touch the highest and most mysterious pinnacle of the art was made to come across nearly as devoid of shaded meaning and emotional complexity as the music would (even in these unhappy circumstances) permit. My heart went out to the singers, for I know how much more each one of them could have been encouraged to give, as it were, only the witness of the distinguished Italian veteran Rolando Panerai, not always absolutely in tune but still ripe of tone and still savoury and stylish in utterance, could attest to be judged a fair specimen.



Ealing Broadway Centre—shopping mall: "the town square is dominated by a pair of towers with tiled pyramid roofs."

Architecture

Colin Amery

Pilgrims, come to Ealing

Ealing, in West London, is likely to become a place of architectural pilgrimage. It has always been on the route of all those who appreciate the work of John Soane, who built there his own villa Fitzhanger Manor, at present the public library.

The history of this successful conqueror of the developers' squarer of the 1960s is a revealing story. It tells of the power of the local residents; it reflects the dissatisfaction that prevails with mechanistic architecture; and culminates in a powerful new structure that inspires respect and admiration.

At the very centre of the suburb lie 12 acres of shopping and office premises, what used to be called in the 1960s, a central area redevelopment. Immediately the mind's eye has a picture of the concrete layers of a multi-storey car park, the ugly roof line of water tanks and uncompleted services, and the monotonous mediocrity of the system built centre full of dull shops.

Imagine instead a brick citadel, high walled with soaring towers reminiscent of Carcassonne as restored by Viollet-le-Duc. This is the distant picture of the new Broadway Centre at Ealing designed by Building Design Partnership for John Laing Development Services, the London Borough of Ealing, Legal and General Assurance and the Land Securities Invest-

Mahler & Strauss/Festival Hall

Dominic Gill

Last Thursday's concert was a triumphant finale to the Philharmonia's "Mahler, Strauss and their influence" series under Simon Rattle. The series as a whole, indeed, has been a double triumph: for the Philharmonia, unarguably confirmed once more as London's leading orchestra; and for Rattle himself, who has proved that if he is not yet a great conductor (the title is not so early or so easily earned), he is already a conductor in whom the sparks of greatness are perceptibly alight.

There was no Strauss in this final programme (the series title has in any case been more of an excuse than a theme). And any excuse at all was good enough for such an opening account as Rattle gave of Webern's Six Pieces for Orchestra op 6—the evening's catalyst, alive with electric currents, crafted with the utmost delicacy and clarity, one of the most magical Webern performances that I can remember. The tiny fragment of the third piece was a marvel-

lous distillation, rarely so tripartite in structure, the miniature funeral march, sepulchrally dark, was truly terrifying at its climax. The American mezzo Florence Quivar was not the ideal soloist in Berg's Seven Early Songs; a fine, sonorous voice that promised well but in musical delivery was curiously un-focused, unpoised. Diction was poor; words generally were unenriched, unpointed; the emphasis was everywhere general rather than particular and precise. The orchestra playing, however, was so fine, as it was also in Mahler's Das Lied von der Erde after the interval, that one could forgive without too much difficulty the expressive shortcomings of Miss Quivar and of John Hutchinson who joined her. Their singing, merely adequate, made small impression; instrumentally—above all in the long drawn out paragraphs of the last song, where the thread can so easily run slack—Das Lied was magnificent.

Texaco/NYT play competition

The largest first prize in any British playwrighting competition (£3,000)—is being offered by Texaco in conjunction with the National Youth Theatre of Great Britain. The competition, now in its second year, aims to encourage new writing for young people and is an extension of Texaco's general sponsorship of the National Youth Theatre.

The first prize of £3,000 also offers production of the work as the Texaco Play in the National Youth Theatre's 1984 summer season. Second prize is £2,000, third prize is £1,000 and a special prize of £500 will be awarded to the most promising writer under the age of 21.

'Roza' opens in June The new Harold Prince musical Roza opens at the Adelphi Theatre in London on Tuesday June 26. With book and lyrics by Julian More and a score by Gilbert Secaud, it will be directed by Harold Prince and will star Georgia Brown.

Arts Guide

April 20-26

Music

- VIENNA Vienna Symphony Orchestra, conducted by Heinz Wallberg. Schubert, Mozart, Brahms, Strauss, at the Musikverein, Vienna, Austria. (538190)
LONDON St George's Day concert with BBC Concert Orchestra and Lichfield Philharmonic Choir conducted by Ashley Lawrence. Programme of English music. Royal Festival Hall (Mon), (923319)
LONDON Royal Philharmonic Orchestra conducted by Norman del Mar with Philip Fowke, piano. Tchaikovsky, Rachmaninov, Elgar and Ravel. Barbican Hall (Mon), (938 9381)
LONDON London Symphony Orchestra conducted by Claudio Abbado with Maurizio Pollini. Beethoven. Royal Festival Hall (Tue)
LONDON Kyujin Mori, cello and Yasuko Katayama, piano. Beethoven, Schumann, Chopin and Debussy. Purcell Room (Tue), (923319)
LONDON Royal Philharmonic Orchestra conducted by Yehudi Menuhin with Claire McFarlane, violin. Beethoven, Vaughan Williams and Sibelius. Barbican Hall (Tue)
LONDON London Mozart Players conducted by

- WASHINGTON National Symphony (Concert Hall); Andrew Davis conducting. Elmar Oliveira, violin, Vaughan Williams, Mozart, Schumann (Tue, Weds mat. Thur), Kennedy Center (254 9770)
NEW YORK New York Philharmonic (Avery Fisher Hall); an elbow operation has sidelined Zubin Mehta for six weeks. Conductors to be announced for regularly scheduled programmes. All-Brahms programme with Marvin Martin, soprano; Thomas Allen, baritone; Westminster Choir directed by Joseph Flummerfelt (Tue); All-Brahms programme with Isaac Sosa, violin (Thu), Lincoln Center, (8742424)
PARIS Ensemble Veters et Nova conducted by M. Samoisin; Lully-Motets for three women's voices and instruments (8.30 pm and 9 pm Tue), Billette Chancel, 24 Rue des Archives, Metro Hotel de Ville.
MUSIQUE SUISSE de Festes Compositors: International Chamber soloists: Kazuoji Imai, Peyrot, Roegen-Champion, Zimmermann (Tue, Wed) Salle Gaveaux, (5632038)
LONDON Ensemble Intercontinental conducted by Gianluigi Gelmetti; Castiglioni, Donatoni, Ferrero, Stravinsky (Thu), Théâtre du Rond-Point, (254 7060)
CHAMBER MUSIC - Deller Consort conducted by Mark Deller. Europe's 1500-year-old courtly music, madrigals, songs, theatrical songs (Thu), Radio France, Grand Auditorium (5241516)

- PARIS Massenet's Werther conducted by Georges Frantz in Florence's Teatro Comunale production, with a superbly sung title role by Alfredo Kraus, admirably partnered by Lucia Valentini-Terrani as Charlotte. Gino Quilico as Albert and Christine Barbaux/Marie-Christine Fortia as Sophie, alternates with Muscarello's Boris Godunov, conducted by James Conlon, with Nicolai Ghimurov in the title role, Martin Mahe as Fiodor and Marie-Christine Fortia as Xenia, at the Paris Opera. (7425750)
BIL T. Jones - Arnie Zane and Company, the next wave of American modern dancing at the Théâtre de la Ville. (7142277)
SERAPION'S THEATRE: Double and Parade - an unexpected Austrian spectacle full of imagination at the Théâtre de Paris (260 9330)
PARIS Opera Ballet Stars Rudolf Nureyev, Patrick Dupond and Claude de Vulpien and ballet corps at the Théâtre des Champs Elysees. (7324777)
LONDON Royal Opera, Covent Garden: Così fan tutte returns with a cast entirely new to the house, and very interestingly chosen - Elizabeth Connell, Ann Murray, Lillian Watson, Francisco Araiza, Benjamin Luxon, Rolando Panerai, and pianist Christoph Eschenbach in his British opera-conducting debut. (240 1068)
English National Opera, Verdi's Sicilian Vespers, a Partisan product of his middle years and un-

Opera and Ballet

tl recently one of his most unjustly neglected works, joins the ENO repertory in a production (borrowed from Paris) by John Dexter and conducted by Mark Elder; the cast is a the house's full strength - Rosalind Plover, Kenneth Collins, Neil Howlett, Richard Van Allan. The Rosenkavalier is notable for one of the most striking female roles in the production's nine-year lifespan: Josephine Barrow, Anne Dawson, Sally Burgess - a distinction of casting sufficient to outweigh the weaknesses of conducting (Friedrich Lehmann) and ensemble also in evidence. (8863161)
WEST GERMANY Berlin Deutsche Oper: A new production of Pelleas und Melisande produced by Götz Friedrich has Karen Armstrong and Rylend Davies in the leading roles. Lohengrin and Der Fliegende Holländer are also offered this week. The latter has Donald McIntyre in the title role. Don Pasquale has been highly acclaimed with Karin Ott and Barry McDaniel. (8481)
BAMBERG Staatsoper: Der Troubadour highlights the week with Leo Nucci and Jelena Obrazova. Der Barber von Seville has Alicia Nafé as Rosina and Richard Curtis as Basilio. Die Meistersinger von Nürnberg is produced by the controversial Herbert Wernicke, and has Wagner specialists Hans Sotin, Harald Stamm and Robert Schunk. (351151)
Frankfurt, Opera: Parsifal has Walter Fries in the title role. Nelly Melnicova does justice to the title role in Maçon Lescaut, Madame Butterfly

is conducted by the talented young American Judith Somogi. Ferruccio Busoni's rarely-played Concerto Faust rounds off the week. (252921)
ITALY Milan: Teatro alla Scala: Verdi's I Lombardi alla prima crociata conducted by Gaetano Cappocci and directed by Gabriele Lavia; La Strada, choreography by Mario Pistoni and Music by Rino Rota, with Carla Fracci. (60128)
NEW YORK American Ballet Theatre (Metropolitan Opera House): The eight-week spring season starts with a gala premiere of Mikhail Baryshnikov's Cinderella, choreographed by Baryshnikov and Peter Anastos. Other premieres include works by Twyla Tharp and Marjane van Helmon. Natalia Makarova's new staging of Paganini and company premiere of Sir Kenneth MacMillan's Dying Swan. Company favourites in the repertory include Swan Lake and last year's premiere, August Bournonville's La Sylphide. Lincoln Center. (569 9830)
WASHINGTON Metropolitan Opera (Opera House): Lohre hundredth annual spring tour starts with a fortnight's programme of seven operas, including Francesco da Rimini conducted by James Levine with Renata Scotta and Plácido Domingo; Rinaldo, conducted by Mario Bernardi with Marilyn Horne; Thomas Fulton conducting Ernani with Ermanno Mauro in the title role and Jon Vickers in the title role of Peter Grimes conducted by David Atherton. Kennedy Center. (254 3770)

Constantijn Huygens, the 17th century writer and poet, considered a picture and its frame to be an integral unit, the two complementing each other. Words to this effect are in the title, "Praise the Frame," of an exhibition of picture frames in Amsterdam's Rijksmuseum until July 1. This means, by inference, that any removal of an original frame from its painting and its replacement by another, would be unnatural, not to say wrong. Yet this is precisely what has happened since Huygens's day. So strong have been the influences of fashion and the personal preferences of private collectors and museum directors, that the majority of 17th century pictures have been given new frames. Even the Rijksmuseum has been guilty, but now the tide has turned. In fervent pursuit of authenticity, Rijksmuseum staff have been securing the country for whatever 17th century pictures in original frame remain. Of the 450 located, as well as 150 frames without pictures, 100 are on show. On entering the exhibition it seems strange to be advised to concentrate one's attention on the frames instead of on the pictures. But the message is abundantly clear, thanks to the variety of frames, to sectional drawings of each type - dish, flat, gable, concave, reverse - and the exhibition of those frames around pic-

Turandot/Theatre Royal, Glasgow

Max Loppert

The new Scottish Opera production of Puccini's last opera, unveiled last night, is a massive feat of production. Only a performance given in the original language rather than that of the audience could have hoped to get away with sustaining this level of nonsense; and at the close, when the Alfano ending is jettisoned and the "Non piangere Liu" section stuck on to provide the finale, that level of nonsense reaches its peak.

This is, apart from anything else, a terribly boring Turandot—the effect of fitting it together has required the production to be delivered in near-oratorical stasis, and what one is used to thinking of as an opera of repeatedly calculated theatrical brilliance is denuded of almost all that theatricality. The pity is that in musical terms the performance might have given the basis for a more than respectable "real" Turandot. The last-minute indisposition of Linda Esther Gray was a disappointment substantially made good by Ludmilla Andrew's highly professional account of the title role, honestly sung, and uttered as though the words could actually mean something to the audience. Eduardo Alvarez's Calif, not always steady in high phrases, is strong, musical, and dignified in Puccini's greater dramatic toll (and which, of course, he died leaving incomplete)—that of amorous prince, icy emperor, and self-sacrificing slave-girl—affords notable parallels with this act of artistic misadventure. (Mosco Carner, in his celebrated study, has outlined them with illuminating perspicacity.) Why not go a stage further, and re-work Turandot the opera to disguise that slice of biography as well?

The reason for not doing so is made plain in the actual experience, which amounts to a monstrous impertinence, and also to an act of artistic misadventure. The production's construction of a truly mind-boggling scale. What we see—Puccini's Torre del Lago building lodge and life implanted on the opera, Liu as Doria, Turandot as Elvira, and the minor factotums and chorus got in various Sino-Tuscan combinations—makes in any cumulative reckoning for nonsense in the strictest

binde—especially as there were occasions when I wasn't quite sure that the right half had been given the lines. But approve the system or not, the playing of all five characters is excellent. There is no attempt to impose any similarity on the separate fragments, who appear like pairs of players playing the same parts simultaneously. Besides the eight actors required to fill out parties, the only other significant individual is Patricia Heneghan as Agnes, whose husband was lured from her by Kate before, on his death, she turned her tireless attention to James. The production which makes use of a set with a revolve and other mechanical aids, is by Mike Ockrent, and the set design ("very Habitat," said my neighbour) by Martin Johns. No credit is given for the fortissimo choral music that divides the scenes.

Passion Play/Wyndham's

B. A. Young

Basically this is an old fashioned piece about a mature married couple and an Other Woman. What Peter Nichols has done to it is to divide his two principals into ego and id, and to have the latter, who is recently dressed, decently behaved, offering what I've long wanted to see, the admirable style with which he can play a serious part. Jim, on the other hand, is Barry Foster, tie-less and untidy, with tight blond curls.

James has been married for a quarter of a century and is flexing his 25-year itch with Kate, a girl younger than his own daughters, Heather Wright as bright as her costumes, which were not treated with the same degree of care. What Ealing proves above all other things is that local vigilance and a good architect can work wonders. (The design of The Broadway Centre is by Building Design Partnership partner in charge Keith Scott.)

Each passing page. This was the conductor transgressed, the incandescent Abbado remembered from the opera house but seldom encountered in the concert hall; and the result was a glowing, exhilarating climax to the work rather than merely the usual enthusiastic tumult. The LSO Chorus provided heroic quantities of bright, unstrained tone; three members of the current Royal Opera Co. cast, Connell, Araiza, Luxon, all in wonderfully improved form, came together with Alfredo Hodgson to form a solo quartet of rare excellence—Mr Araiza in particular, thrillingly bold, was unarguably the rather wishy-washy Mozart tenor of three nights earlier.

GLC's May Day music Music stars of the Sixties including The Searchers and The Swinging Blue Jeans will be participating in the Green London Council's free festivals to celebrate May Day. The first festival is at Victoria Park, Hackney, on Sunday May 6. It will feature music from Dave Berry and The Swinging Blue Jeans. On May 7 there are festivals at Burgess Park, Southwark, and Lampton Park, Hounslow.

Praise the frame / Amsterdam

Rob van Mesdag

Constantijn Huygens, the 17th century writer and poet, considered a picture and its frame to be an integral unit, the two complementing each other. Words to this effect are in the title, "Praise the Frame," of an exhibition of picture frames in Amsterdam's Rijksmuseum until July 1. This means, by inference, that any removal of an original frame from its painting and its replacement by another, would be unnatural, not to say wrong. Yet this is precisely what has happened since Huygens's day. So strong have been the influences of fashion and the personal preferences of private collectors and museum directors, that the majority of 17th century pictures have been given new frames. Even the Rijksmuseum has been guilty, but now the tide has turned. In fervent pursuit of authenticity, Rijksmuseum staff have been securing the country for whatever 17th century pictures in original frame remain. Of the 450 located, as well as 150 frames without pictures, 100 are on show. On entering the exhibition it seems strange to be advised to concentrate one's attention on the frames instead of on the pictures. But the message is abundantly clear, thanks to the variety of frames, to sectional drawings of each type - dish, flat, gable, concave, reverse - and the exhibition of those frames around pic-

tures commissioned specifically to fit above a mantelpiece or on some wall. Most frames in the exhibition are of ebony, reflecting the wide use of this wood for framing in the 17th century, imported from Dutch colonies. During the second half of the century a fashion developed for frames to be embellished with sculpture work, usually gilded. A grisaille, "The Battle at Livorno" by Willem van de Velde the Elder, has a frame in which fashion has merged. Its ebony frame is decorated with gilt limewood attached along the top and bottom. Most impressive, although not necessarily representative of the period, is the frame around the painting of a sea battle of Blanchekehoff. The sculptor was Johannes Kinnema, who incorporated in the frame almost every item of fighting equipment and every navigational instrument in use at the time. He was awarded a bonus of 100 guilders, above his fee of 475 guilders, in appreciation of the work which had taken him one and a half years. The catalogue, in Dutch, gives a detailed account of the research undertaken by the Rijksmuseum to locate, record, evaluate and describe frames of 17th century Dutch paintings - the first study of its kind, which increases considerably the information available on this still little-known subject.

FINANCIAL TIMES

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Tuesday April 24 1984

The rules of diplomacy

THE SIEGE of St James's Square, outside the Libyan Embassy in London, ought to be over by the beginning of next week. In the circumstances, the British authorities have behaved promptly and correctly. As might be expected with a lawyer at the head of the Home Office and another as Foreign Secretary, the decision to break off diplomatic relations with Libya and the manner of doing it are entirely in line with the Vienna Convention of 1961.

were lax in allowing the Libyans so frequently to change their representatives. It may even have been that the Libyans should never have been allowed to change the title of their mission to People's Bureau, since it implies a change in the rules. There was inadequate scrutiny at the British end.

Exemption
The convention also has its grey areas. Paragraph 3 of Article 27 says: "The diplomatic bag shall not be opened or detained." Paragraph 4 of the same article says the bag "may contain only diplomatic documents or articles intended for official use."

Article 9 of that document makes it clear beyond doubt that the host state may declare at any time a foreign diplomat *persona non grata*. Paragraph 2 of the same article goes on: "If the sending state refuses or fails within a reasonable period to carry out its obligations under Paragraph 1, the receiving state may refuse to recognise the person concerned as a member of the mission."

Impressive
All that has been well handled on the British part. Yet two questions remain. One is whether more could have been done to prevent such an incident in the first place. The second is what can be done to prevent anything like it happening again. They can be answered together.

It is less than clear how this is to be checked. Paragraph 2 of Article 36 says that a diplomat's personal baggage shall be exempt from inspection "unless there are serious grounds for presuming that it contains articles not covered by the exemptions." It appears that the net effect of this has been to allow diplomats to get away with murder because receiving countries did not want to risk the possibility of a diplomatic incident by inspecting inspecting baggage even when there were serious grounds for doing so.

France's Left in disarray

THE DECISION by the French Communists to support the Government in the vote of confidence just before Easter has done no more than paper over the deep cracks which have appeared in the left-wing administration's unity.

Walking out and slamming the door on their alliance with the Socialists would have done the Communists more harm than their partners, who have a comfortable absolute majority in the National Assembly.

Before casting their reluctant votes, the Communists made it plain that they were as opposed as ever to their Socialist coalition partners' authority and industrial restructuring policies and insisted that their own views should be taken into consideration in future. The Communist Party could have given no more telling demonstration of its present impotence than it did by adopting this contradictory stand.

Assured of something like 22 per cent of the popular vote throughout the last two decades, the Communists have seen their following in the country dwindle to less than 16 per cent today. For President Mitterrand, who imposed the parliamentary confidence vote on his partners as a test of their loyalty and the Socialist strength, the exercise has turned out to be yet another demonstration of his mastery of political tactics.

If fundamental policy considerations rather than political expediency had been their main criteria, the Communists would have abandoned the Government in which they served four Ministers, a long time ago. For those policies which they could sincerely support, such as the massive nationalisation programme, the much-criticised reflationary measures while the rest of the world was in recession and a whole series of social reforms, were put into effect within 18 months of the Government's birth.

From Mitterrand's point of view, the usefulness of the Communist connection, at least in the longer term, is no longer evident. He needed the Communist support to ensure his election as President in 1981 and subsequently rewarded them by bringing them into the Government. This move also served the additional purpose of neutralising them as potential opponents.

Deflationary
The deflationary policies, plant closures and huge lay-offs, particularly in the steel, coal and motor industries, which have accompanied this coming down to earth by the Socialist President and Ministers are anathema to the Communists. Quite apart from ideological considerations, the party cannot be seen to dissociate itself from the country's largest trade union—the CGT—itsself Communist-led—which bitterly opposes the Government's industrial policy.

Moreover, the growing dissatisfaction in the country as a whole with the Government's policies must have forced the President to contemplate the possibility of governing with a different parliamentary majority than the present one after the 1986 legislative elections. If the alternative is to be an administration closer to the centre than to the left, that would naturally exclude the Communists.

NORTHERN IRELAND is being done up once more. Battered and pitted, no longer glamorous even for its horrors, it is being tricked out for show again. Times have changed, say the people from the Industrial Development Board who are marketing the province: come and see how normal we are. Their slogan: "Judge us on the facts."

Here are two sets of facts, from an Ulster day. In a high, old-fashioned office on Queen's Island in the docks, surrounded by intricate models of great ships, Mr John Parker, chief executive of Harland and Wolff shipyard, talks of modernisation, new orders, future growth. The yard has recently gained its first naval order for 15 years and more are confidently expected.

As Mr Parker talks, low-voiced and unburied, two part-time police constables are shot dead in a rough, TV screens in the closely guarded headquarters of the Royal Ulster Constabulary in a Belfast suburb flash the news monotonously. A senior RUC official says: "In a situation as vicious as this one you shouldn't use part-timers."

On which facts is Northern Ireland now to be judged? Those whom the IDB are attempting to woo to the province may find that their minds move uselessly from one image to the other.

The image problem remains the single biggest impediment to success," says Mr Adam Butler, the Northern Ireland Minister. "It is out on its own. But the reality is very different."

First, the good news. Harland and Wolff's recent success is indicative not just of a modest upturn in its tough market, but also a sign of its competitiveness and impressive ability to deliver. Its naval order is for a £20m replacement for the auxiliary vessel Engadine, and it has signed letters of intent for a £50-£60m order to build two 1,200-ton container ships for the Lykes Brothers of the U.S.

Mr Parker, a Belfast native, worked back from British Shipbuilders last year by Mr James Prior, the Northern Ireland Secretary, is as hard-headed a man as a hard-headed province could produce.

Dwindling vote
But moments like that are becoming few and far between for Marchais these days. The 63-year-old French Communist secretary-general continues to



Northern Ireland Industry

And now for the better news...

By John Lloyd, Industrial Editor

work for 6 per cent of its labour force and 150 companies lose their major customer. Half a mile away, Sir Philip Foreman has done some of his own cutting and has survived. He also a sign of its competitiveness and impressive ability to deliver. Its naval order is for a £20m replacement for the auxiliary vessel Engadine, and it has signed letters of intent for a £50-£60m order to build two 1,200-ton container ships for the Lykes Brothers of the U.S.

investor or settler will certainly not find the war-torn statelet of early 1970s TV coverage, though guards and guns, security doors and bag searches, are omnipresent. Instead, he or she will discover a curiously embryonic society, one in a state of being prepared for something else to happen, or for normalcy to return once more.

After months of impatient waiting, Shorts recently landed a £115m order for 18 Sherga aircraft for the U.S. Air Force, with options for 48 more. It will be the first UK aircraft to enter regular service with the USAF since the war and it is a great coup.

The Northern Ireland Office, and especially its Department of Economic Development (DED) and IDB, are pushing money and manpower into the gaps left by the failure or flight of private enterprise—with the explicit intention of pulling out once more when (if?) investment returns.

Shorts now employ rather more workers than Harland—6,000 in all—and it regularly brings back Queen's Awards to Queen's Island. Sir Philip, a farm labourer's son from Suffolk, is as committed to his adopted home as the Ulsterman Parker, but with open eyes: "The infrastructure's a bit thin. The disappointing thing is that we have got a little high-tech industry. We have just got to attract more. Shorts has something to offer there, so we will play a part."

More links to the community than most of the UK's colleges — it trains some 150 unemployed youths in electronics assembly and simple computing. Industrial relations are relatively peaceful: the province lost 486 days per 1,000 workers employed between 1976-80, compared with 568 per 1,000 in the rest of the UK. In the days before the 1970s, the province's advantage was much wider, at 466 per 1,000 compared to 1,146 per 1,000.

Marchais—the reluctant ally
For the French Communist party and Georges Marchais, its leader for the past 14 years, the confidence debate in the National Assembly was an uncomfortable and humiliating experience.

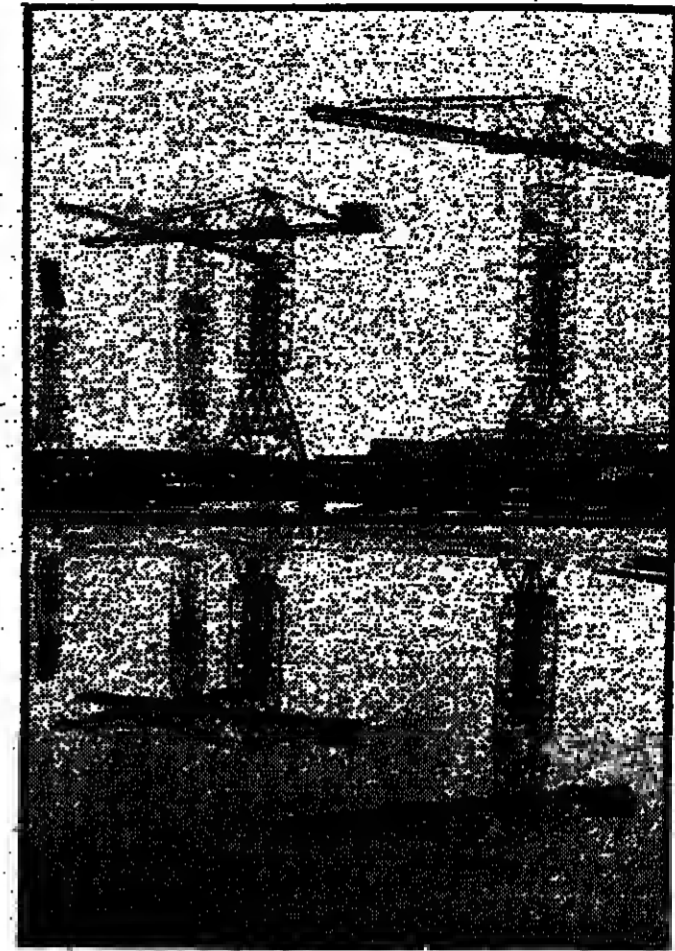
Men and Matters
display his gift for ad-libbing and television debate. But his act is looking jaded. Since he became party leader the Communists have seen their political influence in regard to decline steadily from between 20-25 per cent of the national vote to 15 per cent in the last parliamentary elections three years ago.

Marchais is trying to stir up morale for the European elections, which he regards as essentially a national poll. But his party has been the big loser in a recent string of local elections in France, and has suffered the embarrassment of being accused repeatedly of irregularities and cheating at local polls.

Sitting pretty
Not content with its well-earned reputation for automobile engineering the German car-maker BMW is now trying its hand at a spot of social engineering.

Marchais has often been outmanoeuvred by Francois Mitterrand, the French Socialist President. On two previous occasions Marchais caused open splits in attempts by the French left to have a common political programme. His objective on each occasion appears to have been to undermine Mitterrand. But Mitterrand held him off, and once again appears to have Marchais on the spot.

By bread alone
If Arthur Scargill can steal a moment or two for reflection today in between organising his picket lines he will be giving thanks for British businesses like Greggs, the bakers.



The Harland and Wolff shipyard

Advisory Conciliation and Arbitration Service, in smoothing over disputes. Community relations — by which is meant the relative employment of Protestants and Catholics—remains a largely unmentioned embarrassment. Mr Bob Cooper, head of the Fair Employment Agency, has a mobile face with the lines and dark shadows which suggest a rough, highly contentious job.

Underpinning the IDB effort is money. An incentive programme approved a year ago gives relief on corporation tax of up to 30 per cent, the abolition of all rates on industrial premises, a 30 per cent grant on energy saving projects and a scheme to attract new management from outside Northern Ireland.

The prospective investor will discover a curiously embryonic society

Foreign investment remains the critical area, Mr Butler says: "I do not believe there is any prospect of providing the extra capacity needed by just building on the manufacturing base. Therefore we have to persevere with our inward investment exercise—though the effort we have to put into it, and the cost of overseas representation, means the cost of future jobs will be very high."

No hawk
Sir Geoffrey Howe has received an unexpected glimpse of Hong Kong's economic miracle during his brief visit to the territory. Government officials arranged a visit to the New Territories town of Sha Tin, in the course of which Howe would drop in for a cup of tea and a chat with a street hawk, Mr Yeung, his wife, and his seven children.

Big Job
News of old boys in a Shropshire school magazine: "After a spell at chicken farming Peter has been engaged by a carpet company to cover Lancashire and Cheshire."

HEAR

Who could fail to wax lyrical in a sumptuously appointed conference suite at the Inn on the Park? Such beautiful surroundings are enough to turn even the most reserved company spokesman into an orator of legend.

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Observer

MOZAMBIQUE'S ECONOMIC CRISIS

Why Machel is wooing the West

By Michael Holman in Maputo

MAPUTO'S elegant, white balustraded Polana Hotel on the seafront is coping with an influx of unaccustomed guests.

For President Machel, the success of the new accord may be a matter of personal survival. He must convince doubters in his own party of the merits of co-operation, as well as deliver the goods to 15m impoverished countrymen.



In Zimbabwe, hundreds of starving refugees from Mozambique are being fed by relief agencies

For President Reagan, it will add credibility to the United States policy of "constructive engagement" with South Africa, which, he has argued, will bring benefits to the region while undermining the influence of the Soviet Union, Mozambique's leading ally.

Mozambique is seeking closer links with the West. The signs include applications for membership of the International Monetary Fund (IMF) and the World Bank, and renewed efforts to encourage Western investment in agriculture, industry and mining.

Senior government officials maintain that the state which proudly declares itself Marxist-Leninist has not changed its fundamental principles. "We have always been open to Western trade and investment," says Mr Prakash Rattala, governor of the Central Bank.

Yet a severe economic decline, the combination of devastating drought and flood, and the impact of the South African-backed Mozambique National Resistance (MNR), have forced President Machel's government into a far-reaching reappraisal of internal economic policies and foreign relations.

In the move to involve the West, President Machel has been incongruous ally. When Mr Pih Botha, South Africa's Foreign Minister, hosted a lunch recently for the ambassadors of leading Western nations he reportedly urged a course which a few months ago would have been inconceivable: invest in Mozambique.

It stems, of course, from mutual self-interest. The recovery of the Mozambique economy with South Africa as well as Western assistance would demonstrate both to sceptical black Africa and the outside world that a constructive relationship with the white industrial and military giant of the region is possible.

200,000 Portuguese settlers left virtually overnight, taking with them cars and trucks, and abandoning—in some cases, sabotaging—their businesses and farms to a government which inherited a 95 per cent illiterate peasantry and a mere handful of university and secondary school graduates.

Mozambique National Resistance, initially backed by the Rhodesian Government, was adopted by South Africa. In 1982 alone, says a recent government report, rebels destroyed 489 primary schools, 102 health clinics and 400 stores or commercial enterprises were ransacked or forced to close as relations with South Africa deteriorated. So the vital economic links declined, leading to a drastic fall in foreign exchange earnings.

The republic's use of Maputo port by the end of last year had fallen to 16 per cent of pre-independence levels. The number of migrant workers in South African mines—whose salary remittances had been the largest single source of foreign exchange—has fallen by 60 per cent from 118,000 in 1975 to around 40,000 today.

In the meantime, the terms of trade with the outside world deteriorated. One new truck now costs Mozambique the equivalent of 13 tons of cotton, compared to five tons at independence.

If this was not enough, the country has suffered from intermittent droughts and flood, culminating in the current crippling drought which began in 1981 and which has cost up to 100,000 lives. The toll is likely to rise, with relief efforts hampered by the security problems posed by the MNR, active in all ten provinces.

At the same time, policy shortcomings—notably in agriculture—have had an adverse effect on the economy.

Government has ploughed resources into mechanised state farms without the expertise to maintain them, or sufficient foreign exchange for spare parts and equipment to keep them going.

A decision taken last April to provide greater backing for peasant agriculture—better supplies of inputs such as seeds, tools and fertiliser, and incentives in the form of consumer goods in rural areas—has yet to take effect, partly because of the drought and the lack of foreign exchange to set the ball rolling.

better, say army officers, for the MNR stepped up its infiltration of men and supplies in the weeks leading to the pact. Their predictions are being borne out—earlier this month MNR rebels mortared a truck on the main road from Maputo to the South African border, and sabotaged power supplies to the capital.

But on the economic front, say officials, there is substantial progress. "We discovered that if we provided 550,000 worth of spare parts," said one visiting chairman of a detergent company, "we could revive a factory worth ten times that amount."

A South African freight company is discussing investment in Maputo port: "We will provide equipment such as fork-lift trucks to return for rebates on road to sea traffic," says one director. "For the first time in years our Maputo office could make a profit."

The same company may install bulk maize dischargers at the port, on the same terms, while allowing Maputo to handle half a million of the 4m tons of maize South Africa must import this year.

In his office at the Central Bank Mr Rattala extols the virtues of the pact: stability in a region where would-be investors have been frightened off. A revised investment code is being drawn up, he says, and lists opportunities in coal and other minerals, agriculture and fisheries: "We will allow companies to retain a portion of their product as a way of repaying investment."

The enthusiasm is infectious, but difficulties lie ahead. Government officials expect the MNR to intensify its activities in the months ahead, particularly around Maputo.

A second concern is Mozambique's high expectations. "They overestimate the appeal of Mozambique to Western businessmen," said one diplomat. "Tiny Rowland jettied, committed Lombard to agricultural ventures, and continued on his African rounds. But there aren't many Tiny Rowlands in the West."

"The infrastructure is poor, skills are scarce, and the currency is massively overvalued," he continued. "The irony may well be that investors will see the pact as making South Africa itself a more attractive prospect."

Where The Jobs Are

Think of the wenches who served Falstaff

By Anatole Kaletsky

WHAT DO the following phenomena have in common? The only way to get a drink in a City pub at lunchtime is by elbowing and jostling the other patrons while screaming at the barman. Japan buys robots from Italy and cameras from Hong Kong, but hauls at increasing its imports of Florida oranges. Mr Arthur Scargill appears to be winning the hearts and minds of Britain's coal miners. Britain has the highest ownership of video recorders and home computers in Europe.

French farmers produce the world's most delicate and subtle food, but think nothing of driving their pigs and cattle into the Elysee Palace. More people under 40 in Europe are killed and disabled by falling off ladders than by any single natural disease. The Thatcher Government is reforming Britain's system of corporate taxation.

The clues to this riddle are not to be found in any anagram or rebus, but in the table below. The stories they tell start from an everyday observation which must have struck every British traveller in Japan, the U.S. or Germany. These countries, whose high-productivity manufacturing industries are the envy of Britain's businessmen, have pockets of inefficiency and over-manning which would win a hallowed place in the custom and practice of Britain's most Luddite unions.

The examples abound, most obviously in the Japanese and European countryside, where lone peasant farmers and fishermen still earn their simple livelihoods using tools and traditions inherited from their grandfathers. But even in the most modern cities of America, sunbelt, a visit to the supermarket reveals an army of teenage boys employed solely to pack and carry shopping bags for customers. A drive into the petrol station evokes memories of a bygone era, as human attendants amble oil to man the petrol pumps, instead of disembodied voices croaking instructions through loudspeakers for self-service. An attempt to use the banking system in the U.S. yields a less agreeable experience—most banks are still not capable, for example, of making regular payment for their personal customers by computerised direct debit. Could it be, the perplexed

traveller begins to wonder, that Britain is not so inefficient after all? Maybe the real difference between Britain and its economically more successful rivals, lies simply in where the inefficiency is located.

Most of Britain's over-manning is in manufacturing, which is a feature of several reasons. For example, inefficient manufacturers produce no agreeable spinoffs, such as picturesque fishing villages, courteous shop assistants or homemade salamis. They also endanger a country's balance of payments and its capacity for technological progress.

So could a country actually be better off deliberately preserving corners of inefficiency outside the manufacturing sector? Thus, surplus workers could be kept out of harm's way, without being a total charge on taxpayers through the unemployment system. This is where the table comes in. It shows a very crude index of over-manning (+) or under-manning (-) in the three basic sectors—agriculture, manufacturing and the rest—for the world's seven largest economies. Each number is simply the difference between the percentage of the labour force who work in the sector and the percentage of national value added which these workers produce.

For example, Britain's manufacturing sector employed 25 per cent of the civilian labour force in 1981, but contributed only 20 per cent to national value added, giving an over-manning index of +5 (British manufacturing, Japan's "other" sector employed 65 per cent of the labour force and contributed 66 per cent to value added; so Japan's "O" entry shows a figure of -1). A glance at the table immediately shows the anomalous positions of Britain and Japan—with exceptional over-manning and exceptional leaners respectively in the manufacturing sectors. Like the continental countries, Japan hoards its surplus labour in agriculture. But in Europe, this agricultural over-manning is not balanced by exceptional efficiency in manufacturing; instead of keeping their manufacturing industries lean, the Europeans including Britain, economise on labour in the non-manufacturing and service sectors.

Is Britain not so inefficient after all?

Table with 7 columns: Country, Agriculture, Manufacturing, Others. Rows include U.S., Japan, Germany, France, UK, Italy, Canada.

AN INDEX OF MANNING LEVELS

Table with 7 columns: Country, Agriculture, Manufacturing, Others. Rows include U.S., Japan, Germany, France, UK, Italy, Canada.

Incentives and miners' pay

From Mr J. Winterton, University of Bradford. Sir—I agree with Philip Bassett's interpretation of the effects of the area incentive scheme upon miners' attitudes (April 17). However, he omits to mention serious problems with the bonus which, I believe, should be made public.

First, the incentive scheme has degenerated. The original scheme was proportional; increased effort was rewarded with proportional increases in bonus. Bonus payments have not been adjusted in line with basic pay so the scheme has become regressive; a 25 per cent increase in effort is now rewarded with a bonus representing less than 20 per cent of standard earnings.

The average weekly bonus pay for face workers in 1983 was £40.96; it would have been £34.40 had the scheme not degenerated. High earners, like some in the Nottinghamshire area, would have earned another £25 per week over the past year.

Second, the range of miners' earnings is greater than the plus or minus 18 per cent of average pay which Philip Bassett found between areas. A recent study of the bonus payments in Yorkshire revealed differences in weekly bonus earnings of up to £87 within each of the four Yorkshire areas, and over the whole coalfield bonuses ranged from £18 to £108.

Letters to the Editor

shown great reluctance to take action that may jeopardise their redundancy pay or the opportunity to transfer to Selby. The bonus is an important factor in the differences between South Wales and Nottinghamshire, but should continue to have a major role in the USM market.

Unlisted securities market. From Mr S. H. J. A. Knott. Sir—I read Mr Dawkins' article (April 14) with considerable interest. The full entry of the merchant banks into the unlisted securities market must be welcomed. It gives the customer a much wider choice and it improves the marketability of USM issues.

The choice between a merchant bank and a broker is never easy, but there are three good reasons why brokers should continue to have a major role in the USM market. 1. Specialised Research. It is important to relate a new company to the total market in which it operates. The research experience of many brokers goes back 20 years or more and this is a service which the merchant banks cannot provide.

Accounting for inflation. From Mr R. W. Weston. Sir—With some experience of producing statutory and management accounts of all kinds, and CCA accounts for

not come down very significantly if metering were universal. Meters would have to be installed in many older properties whose plumbing is not suitable, and where costs are inevitably high. Even now, meter maintenance, renewal and reading costs of £12 per year are not high compared with those in gas and electricity, but customers do not tend to save much water if they are metered. Water savings are generally worth only £8 a year or less and universal metering is a bad buy.

If the authorities are right, therefore, in social equity and in economics, in their current policies of permitting metering at a customer's own expense where they feel manifestly overcharged (a typical example is the elderly couple living in a large highly-rated house); and of considering enforcement only for the small minority of heavy peak-period users, such as those who insist on being a printer at any time of the day or night.

For the rest (a large majority), it is much more economic to continue charging on property valuation, the present R.V. or new valuations when they are introduced. In a temperate climate universal metering makes little economic or practical sense, and for most people would be worth the effort towards it from our simpler and more effective property-based charges for potential for water use.

Balance of parties on interim GLC. From Mr Richard Hainsworth. Sir—The Government's intention in the Local Government (Interim Provisions) Bill that nominations to the interim GLC and Metropolitan County Councils should reflect as far as possible the balance of parties on the nominating authority should be welcomed as a tiny step on a long march to proportional representation (PR) in Britain.

Danger of a fax on toilets and taps. From Seven Trent Water Authority. Sir—I read David Kimmery's well-phrased article (April 11) with considerable interest and some sympathy, but having been intimately concerned with these issues for 10 years I can say that he has got one important element wrong. Based on experience of universal metering, costs would

Advertisement for Tandy TRS-80 Model 12. Features include: 'The Tandy TRS-80 Model 12', 'A Multipurpose Workstation', 'With 1 Disk Drive £2399', 'With 2 Disk Drives £2999', 'FREE Software Total Value £8590 With Every Model 12', 'Management Assistant', 'Easy Expansion', 'Program Development', 'Plus This Software Absolutely FREE!', 'SCRIPSI Word Processing', 'VielCalc Enhanced', 'Profile Plus', 'Program Editor'.



SECTION II & III - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday April 24 1984



Study finds need for international bank crisis agency

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

DOES THE international banking crisis point to the need for an international agency with very deep pockets prepared to step in and save the world from financial collapse? If so, how clearly can its role be defined without giving bankers the idea that they can throw prudence to the winds?

Authorities in the leading industrialised countries have long been against the idea, mainly because of this "moral hazard." Bank supervisors also prefer to maintain banking discipline by supervising banks but leaving them responsible for their decisions.

The Basle Committee of international bank supervisors takes that view, and has confirmed its public utterances about last-resort lending to this effect in its 10-year-old report. The committee "recognised that it would not be practical to lay down in advance detailed rules and procedures for the provision of temporary liquidity. But they were satisfied that means are available for that purpose and will be used if and when necessary."

An attack on that position has been made in a new paper from the Institute of Development Studies, Sussex, which says that, far from fostering discipline in the markets, the committee's line merely adds uncertainty and makes them less, not more, stable.

Moreover, what lender-of-last-resort facilities do exist are in the hands of national agencies in individual countries, which means they could never cope with the problems of large international banks whose tentacles reach into markets all round the globe.

"Current arrangements, based on general uncertainty and attempted ex-post coordination of international lender of last resort in cases of distress, are dangerously insufficient," it says.

But the authors, who are known

for their radical views on matters of international finance, go a stage further by arguing that the authorities could use access to ILLR as a carrot to judge banks into "more appropriate lending" to speed resolution of the LDC debt crisis.

That would include getting banks to:

- Make better use of information in their lending decisions;
- Lend counter-cyclically to smooth out the sharp ups and downs between euphoria and crisis;
- Diversify their lending, particularly towards poorer, less creditworthy countries.

The paper deals with the moral hazard by saying that onerous terms would have to be placed on any bank using ILLR: penal rates of interest and good collateral. The ILLR itself would operate by buying sovereign loans from banks at a deep discount and then reselling them at a slightly higher rate to the original borrower.

Banks would thus be relieved of doubtful loans, although at a loss, and the borrowers could renegotiate their loans on better terms.

Hand in hand with ILLR, there would have to be much tighter banking supervision to cut out "free riders" and keep the costs of operating it to a minimum. In the give and take of relations between banks and supervisors, bankers would be much readier to accept closer control in return for more explicit ILLR, it argues.

Like many of the ideas put forward to ease the LDC crisis, the Sussex group's looks attractive, but it is hard to see the key players - in this case central banks and bankers themselves - accepting it.

International lenders of last resort: are changes required? By D. Stephany Griffith-Jones and Prof. Martin Lipton, Institute of Development Studies, Sussex. An occasional paper in international trade and finance published by Midland Bank International, March 1984.

Demand reappears for low-risk Eurobonds

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

"EASTER'S getting just like Christmas without the bonus," moaned one investment banker last week.

But that was on Tuesday when the Eurobond market seemed to have ground to a halt ahead of the long weekend holiday. On Wednesday the atmosphere changed dramatically with the launch of no less than \$800m worth of new paper in the dollar sector in a single day. To everybody's surprise the bonds were pretty well absorbed in a market that had until then appeared almost wholly unresponsive.

"This is not to say that the Eurobond market has by any means shaken off its worries about the trend of short term interest rates. Six month Eurodollar deposits edged even higher last week, closing 1/4 point up at 11 1/4 per cent. In the secondary market bond prices fell quite sharply at the start of the week and then traded quietly around their lower levels ahead of the holiday break.

What last week's developments do suggest, however, is that there is potentially strong investor demand for some types of issue, even if it is now highly selective. "The market is simply not quite as dead as some would have us believe," said one banker. On Wednesday it got a taste of what it was looking for.

The star performer was the new \$500m convertible issue for Texaco, which follows hard on the heels of its \$1bn bond launched last month. Though that was the largest convertible on record, it was still not enough to satisfy all investor demand.

The new deal was launched as a "bought" issue by Credit Suisse First Boston, a process which can leave the lead manager with serious headaches if the market turns against the issue. But the gamble paid off and on Thursday the bonds were trading at a narrow discount of about 1 point from their par issue price.

HUNGARY is to return to the Euromarkets shortly for its second major co-financing with the World Bank.

It is planning to raise a total of \$225m and Y23bn (\$192.8m) to finance projects in its industrial and petroleum sectors designed to boost exports and reduce energy demand. As with last year's co-financing, the World Bank is expected to lend about 15 per cent of the total sought in both the dollar and yen tranches.

Pricing details of the new co-financing deal remain to be agreed, but it is already generating considerable interest in the banking community. Hungary was the first important test of the World Bank's new co-financing scheme last year, and the fact that it is returning so soon underlines the way in which this new mechanism has gained market acceptance. Another recent co-financing, the \$175m loan for Colombia's electricity board FEN, closed syndications last week with more than \$70m raised from the market.

The new deal also confirms Hungary's growing international creditworthiness. With a general shortage of lending opportunities, banks are increasingly turning towards Eastern Europe again. The recent

Hungary rejoins World Bank for financing

BY OUR EUROMARKETS CORRESPONDENT

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\$150m bankers acceptance facility for Hungary was increased to \$210m because of strong demand.

Competition for new business in the credit market continues, however, to force banks to improve the terms on offer to borrowers. Large new loans expected for both Malaysia and Denmark are expected to appear shortly on very low margins, while the \$100m standby facility for Gaz de France, launched ten days ago by Chase Manhattan and Societe Generale, had already attracted \$230m from the market by the end of last week and is set for substantial increase despite its long 12-year maturity.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %	Borrower	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS															
Japan Synthetic Rubber T†	30	1989	6	7 3/4	100	Yamaichi Int'l., IBI Int'l., BHF-Bk.	7.750	SWISS FRANCES	100	1989	-	1 3/4	100	CS	1.750
Nomura Int'l.	30	1989	6	7 3/4	100	30	1989	-	2	100	CS	-	-	-	-
Fujiwara Int'l. †	70	1989	10	2 3/4	100	Belvue Ex., Schroder Wagg.	2.875	Hoshibashi Mining	30	1989	-	5 3/4	CS	-	-
Sankyo Corp. †	500	1994	16	11 3/4	100	Sankyo Int'l.	11.750	Tokai Paper Ind. †	20	1988	-	1 3/4	100	CS (Switz.) Fin.	1.750
						CSFB, Goldman Sachs, SBCL, JBS Sacs., Deutsche Nomura Int'l., Mgs. Stanley		Japan Dent. Bank †	30	1989	-	5 3/4	100	SBC	5.250
						Samsung Mortgage		Boy. Ferros †	40	1989	-	5 3/4	100	CS	5.250
						Barclays Int'l. Inc., CCF, CSFB, Lakeland Bros.		Wool-Frankland Corp. †	50	1988	-	3 3/4	100	USS	-
						First Boston Corp.		Kaiser Ind. †	50	1988	-	2 3/4	100	USS	-
						Seleman Bros., Bear Stearns, CSFB		World Bank	150	1992	-	-	-	USS	5.750
						Seleman Bros., Kyowa Bk. Hed., Mgr. Stanley	12.250	Canada	200	1992	-	-	-	SBC	5.250
							12.937								
D-MARKS															
Salko Ind. †	50	1990	6	3	100	West LB	3.000								
SATS †	50	1991	7	8	99 1/4	BHF-Bank	8.145								
ISEC †	100	1994	10	7 1/2	100	Deutsche Bank	7.589								
YEN															
World Bank †	20bn	1994	18	7	99 1/4	World Bank	5.750	20bn	1994	18	7	99 1/4	Nikko Secs.	7.854	
Mtge. Bk. of Denmark †	15bn	1994	6	7.4	100	Mtge. Bk. of Denmark	1.750	15bn	1994	6	7.4	100	Daiwa Secs.	7.574	
CIP †	5bn	1991	6.4	8	99.75	CIP	1.750	5bn	1991	6.4	8	99.75	Daiwa Secs.	8.208	
Trinidad & Tobago †	5bn	1991	6.4	8	99.50	Trinidad & Tobago	1.750	5bn	1991	6.4	8	99.50	Nomura Secs., Bk. of Tokyo, Tokai Bk.	8.259	
EIB †	20bn	1994	9	7.3	99.65	EIB	2.000	20bn	1994	9	7.3	99.65	Nikko Secs.	7.489	

* Not yet priced. † Final terms. ** Placement. † Floating rate note; coupon is agreed over 6-month Libor. (b) Spread over 3-month Libor. (c) Spread over 91-day T-Bills. ‡ Payable in equity. † With warrants. ‡ Redemption at 218. †† Registered with U.S.S.E.C. Note: Yields are calculated on AIBB basis.

U.S. \$10,000,000

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BANQUE NORDEUROPE S.A.

SAUDI INTERNATIONAL BANK
AL-BANK AL-SAUDI AL-ALAMI LIMITED

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NEW ISSUE MARCH 1984

These Notes having been sold, this announcement appears as a matter of record only.

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Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.

Blyth Eastman Paine Webber International Limited

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Credit Lyonnais

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Nomura International Limited

Salomon Brothers International Limited

Swiss Bank Corporation International Limited

Westdeutsche Landesbank Girozentrale

Algemeene Bank Nederland N.V.

Bank für Gemeinwirtschaft

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Banque de Neuchâtel, Schenker, Mallet

Bayerische Hypothek- und Wechsel-Bank

Compagnie de Banque et d'Investissements, CBI

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Kleinwort, Benson

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Sauzel Montagu & Co.

Norddeutsche Landesbank

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Saxsis International Securities Limited

Standard Chartered Merchant Bank

Tokai International

Wood Gundy Limited

Banca Commerciale Italiana

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Banque de Paris et des Pays-Bas (Suisse) S.A.

Banque Populaire Suisse S.A. Luxembourg

Chemical Bank International Group

Créditanstalt-Bankverein

Domination Securities Ames

Emromobiliare

Girozentrale und Bank der Österreichischen Sparkassen

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Kyowa Bank Nederland NV

Morgan Grenfell & Co.

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Prudential-Bache Securities

Scandinavisk Bank

Sopitomo Trust International

Vereins- und Westbank

Yamaichi International (Europe) Limited

Bank Centrale Switzerland (C.I.) Limited

Bank Leu International Ltd.

Banque Internationale à Luxembourg S.A.

Banque Populaire Suisse S.A. Luxembourg

Cariden Bank

Daiwa Europe

Drexel Burnham Lambert Incorporated

Fuji International Finance

Hambros Bank Limited

IBJ International

LYCIB International

The Nikko Securities Co., (Europe) Ltd.

Österreichische Länderbank

Saitama Bank (Europe) S.A.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Investors sit tight as market shows its skittish side

BOND PRICES sank to new lows last week amid continuing concern about the fast pace of economic growth, soaring credit demand, and a growing conviction that interest rates—and potentially inflation—are heading higher.

In this pessimistic atmosphere most potential retail investors are steering clear of the markets. Those who remain—mostly hardened professionals—appear to be taking advantage of any slight pick-up in prices to lighten their portfolios.

Underpinning the markets' extreme skittishness is a feeling that economic statistics have yet to prove conclusively that the pace of the economic recovery is now moderating. Among a mixed bag of statistics published during the

wary of the longer-term fixed rate markets, preferring to buy floating rate securities or stay short.

Last week Treasury Bill rates were virtually unchanged for the second week in a row while the yield on the Treasury long bond climbed a further 16 basis points to 12.75 per cent.

Thus the yield spread from three months to 30 years has widened by 30 basis points in two weeks. This steepening of the Treasury yield curve reflects not only investor caution but also technical factors like the Fed's outright purchase of Treasury bills early in the week and the reduction in the size of the weekly Treasury Bill auction—made necessary once again by a looming Federal debt ceiling.

Such factors may continue to play an important role in the markets over the next two weeks as the Fed grapples with the impact of April tax receipts. Which, according to Salmon Brothers, are likely to swell the Treasury balances by \$15bn or more by the end of this month.

The extreme nervousness of the markets was highlighted last Wednesday when bond prices declined sharply amid a wave of rumours—all denied—the most startling of which was that Paul Volcker, the Fed chairman, had resigned.

Strikingly an investor who purchased Treasury long bonds in early January at their peak prices and held onto them would have seen his investment slip by a full 10 points.

four-day Easter week, the Commerce Department produced revised first quarter GNP figures which showed the economy growing at an annual rate of 3.3 per cent, up from the "flash" estimate of 7.2 per cent. While about half of the increase can be attributed to the accumulation of business inventories, such numbers still scare the market. Today dealers will have the chance to match these fears against reality with the publication of the Merch Consumer Price Index.

Meantime, other statistics are providing ample evidence of sharply increasing private credit demands. Outstanding commercial paper grew by a further \$1.57bn to \$201.42bn in the week ending April 11 and last week the Fed estimated that total outstanding debt in the U.S., excluding that of financial corporations, grew at an annual rate of 12.1 per cent in February to an average of \$5,325bn.

Against this background market participants are increasingly

Dome Petroleum agrees further debt rescheduling

BY BERNARD SIMON IN TORONTO

DOME PETROLEUM, the debt-burdened Canadian oil and gas producer, has reached another conditional agreement with several large lenders for the rescheduling of debts which total around C\$600 million.

The company signed similar letters of understanding with two of its eight lender groups last week, including the largest, a syndicate headed by Citibank.

The latest agreement is with Dome's four major Canadian creditors, Royal Bank, Canadian Imperial Bank of Commerce, Bank of Montreal, and Toronto-Dominion Bank. The company said that unspecified payments of principal have already been made to the banks under the

new rescheduling plan. Its total debt to the four Canadian banks is C\$2.4bn.

Conditions for the agreements signed so far include the conclusion of debt rescheduling negotiations with other lender groups by the end of this month, the signing of formal agreements by the end of June, and the completion of Dome's planned equity issue, expected to be for at least C\$350m.

Earlier this month, Dome agreed with a 1983 net loss of C\$1bn, against a deficit of C\$365m a year ago. The loss, the largest ever by a Canadian company, was mostly due to write-downs and the cost of disposing of assets.

known as the Dome energy loan, is guaranteed by Dome Mines, in which Dome Petroleum has a 40 per cent interest.

Dome Mines said in a separate statement that it has agreed with Dome Petroleum and the banks that the maximum amount of its guarantee will be reduced from C\$225m to C\$145m if Dome Mines buys C\$70m of Dome Petroleum's forthcoming share issue.

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Inland Steel climbs out of red

BY OUR NEW YORK STAFF

AFTER a run of two-and-a-half years of unprofitable operations, Inland Steel, the fifth largest U.S. steel company, broke back into the black in the first quarter of this year to declare modest earnings of \$2m.

The profits figure, the equivalent of 2 cents a share, compares with a loss of \$19.9m, or 83 cents a share a year ago, and was achieved on sales of \$873.4m against \$669.6m in 1983. Operating profits, before interest charges, amounted to

\$21.2m, against a loss of \$18.5m last year.

Mr Frank Luerssen, the chairman, said that the results were achieved despite sluggish product prices, and reflected a continuing improvement in the company's cost structure.

Demand, however, had continued to increase, so that plants were operating at around 80 per cent of capacity in the quarter against 71 per cent in the final three months of last year. The operating rate has continued to

move up during the present month.

At 1.32m tons in the first quarter, steel shipments were 23 per cent higher than the 1.07m tons delivered in the same period of last year, but slightly down on the 1.33m in the final quarter of 1983.

Mr Luerssen added that bookings continued to exceed expectations, but warned that rising interest rates could curtail the current economic expansion.

Reduced deficit from Imetal

By Paul Betts in Paris

IMETAL, the French mining and metals group, reduced group losses to FFR 570m (\$70m) last year from a deficit of FFR 642m in 1982.

The group, which was involved in a series of major asset changes last year, said sales last year totalled FFR 7bn, the same level as in 1982 on a comparable basis.

A major reason for the lower deficit was the state rescue for the former financially troubled Imetal subsidiary, Societe Le Nickel, the New Caledonian nickel mining concern which has

Strong profit gains at BSN and Pernod

BY DAVID HOUSEGO IN PARIS

TWO of France's largest food and drinks groups report sharply increased profits for 1983.

BSN, whose interests stretch from dairy products to beer, said net earnings rose by 29 per cent to FFR 741m on the basis of a 13 per cent increase in turnover to FFR 24.9bn.

Pernod Ricard, the spirits and soft drinks group boosted its net profits by 27 per cent to FFR 471m on a slightly increased turnover of FFR 7.57bn.

BSN experienced strong growth in drinks, groceries and packaging. The dairy products division, however, made a smaller contribution to net profits because of a strike at its U.S. subsidiary.

Group cash-flow increased from FFR 1.7bn in 1982 to FFR 2.1bn last year. The dividend is being raised from FFR 50 to FFR 52 per share.

Pernod offset a disappointing performance in spirits sales by a 34 per cent increase in non-alcoholic beverages turnover. The group's overseas sales now account for 28 per cent of total turnover, compared with 25 per cent last year.

Pernod's dividend remains unchanged at FFR 27 per share.

Bahrain offshore group in share swap with affiliate

BY MARY FRINGS IN BAHRAIN

CULF INVESTMENTS (CIC), a Bahrain-registered offshore company which took a \$76m write-off against its capital last year in the aftermath of the Kuwaiti stock market crash, is seeking to acquire an affiliate company in a share swap with a nominal value of \$64m.

CIC is awaiting a report from an independent auditor appointed by Bahrain's Ministry of Commerce on its proposal to issue 256m new shares per value 25 U.S. cents and exchange them for shares in

S.I.L.F. (Holding), a company registered in the Netherlands Antilles.

S.I.L.F., an international investment group, is already a member of the board of directors of CIC and its general manager and three of its directors act for both companies. Through S.I.L.F., CIC has a 1 per cent interest in SBRU Holdings, the parent company of the New York investment bank Smith Barney Harris Upham, together with a 2.4 per cent interest through another affiliate, Rabia Holding

officer. Mr Strauss will remain a board member.

Mr Lawrence G. Hoffman has joined BARNARD AND BURK GROUP, INC., as corporate vice-president—business development. Prior to joining BARNARD AND BURK GROUP, Mr Hoffman was employed by Crawford & Russell Inc., a subsidiary of John Brown, where he was responsible for sales and business development across the eastern, north central and western U.S.

Mr Robert W. Michael has been named president and chief operating officer of JIM WALTER HOMES, INC., a subsidiary of Jim Walter Corporation. He succeeds Mr Thomas L. Hargis, who is assuming the role of chairman after having served as president for the past 11 years. Mr Michael has been vice-president of Jim Walter Homes since 1973.

Mr Helmut Wirth has been appointed deputy general manager of ZURICH INSURANCE CO., Zurich.

INTERNATIONAL APPOINTMENTS

subsidary of Biogen SA, of Geneva. Mr Brooke also becomes vice-president, finance, of Biogen Inc. and Biogen Research Corp., the U.S. operating subsidiaries.

Mr Claus Nuescheler has been appointed chairman of STANDARD BANK, Zurich.

Mr Raymond J. Dempsey has been elected chairman and chief executive officer of EUROPEAN AMERICAN BANKCORP and its major subsidiaries, European American Bank & Trust Co. and European American Banking Corp. Mr Dempsey had been chairman, president and chief executive officer of Fidelity Bank of Philadelphia.

Mr Richard A. Broeke has been appointed principal financial officer of the BIOGEN GROUP, the bio-engineering

John E. Pinto, Jr., senior vice-president for compliance, of Douglas F. Parrillo, senior vice-president for communications, of William Broke, vice-president for NASDAQ operations, and Mr James M. Cangiano as NASD corporate secretary.

Mr David Barron, presently deputy chief of the ROYAL CANADIAN MOUNTED POLICE, has been appointed senior representative at its Los Angeles representative office. He succeeds Mr Philip E. Jacobs, who is shortly to receive another appointment.

Mr James M. Stott, previously an international banking officer at the bank's head office in Edinburgh, has been appointed assistant manager at the New York branch.

Mr Ted H. Hull, vice-president—commercial operations, Allstate Insurance Co., and senior vice-president, Northbrook Property & Casualty Insurance Co.,

has been elected chairman of AMERICAN NUCLEAR INSURERS (ANI).

Mr Nicholas F. Miller, vice-president, and actually, Aetna Life & Casualty, as chairman. Mr John C. Morrison, senior vice-president, succeeds Mr Frank E. Baab, former vice-president and chief officer of Allianz Insurance Co., as vice-chairman.

Mr GAINSCO, INC., U.S. underwriter, has appointed Mr Jack L. Johnson, senior vice-president, underwriting. He joined Gainco in June 1979, as vice-president, marketing/underwriting.

Mr DINTERORTH, INC. has elected president and chief executive officer Mr Sam P. Segar, to the additional post of chairman of the board. He replaces Mr Willis A. Strauss who is retiring on May 1 as chairman and chief policy

Changes at Procter & Gamble

THE PROCTER & GAMBLE CO. has made the following appointments from June 1:

Mr Edwin L. Artzt, executive vice-president, has been elected vice-chairman of the board and president, Procter & Gamble International. Mr Artzt will continue to be responsible for all international operations.

Mr Thomas Laco, executive vice-president, becomes vice-chairman of the board. Mr Laco will have broad responsibility for the company's staff as well as responsibility for the pharmaceutical and food service products operations. Mr John E. Pepper, group vice-president, is made an executive vice-president. Mr Pepper will move to Cincinnati from Brussels,

Belgium, and assume overall responsibility for U.S. consumer products business except the Norwich division. Mr Harold Elmsmann, vice-president—Northern Europe, is elected group vice-president. Mr Elmsmann will have overall responsibility for the European operations, succeeding Mr Pepper.

Mr Robert T. Blanchard, vice-president—bar soap and household cleaning products division, becomes vice-president of Northern Europe, succeeding Mr Elmsmann. Mr Charles C. Carroll, vice-president—Norwich division, is made vice-president—bar soap and household cleaning products division, succeeding Mr Blanchard. In a related move, Mr Harry Tecklenburg, senior vice-president, will assume responsibility for the Norwich division.

Mr Richard A. Broeke has been appointed principal financial officer of the BIOGEN GROUP, the bio-engineering

Paul Taylor

This announcement appears as a matter of record only.



Michelin Finance (Pays-Bas) B.V.

£60,000,000

Revolving Acceptance Credit

guaranteed by

Compagnie Financière Michelin

arranged by

S.G. Warburg & Co. Ltd.

Banque Paribas (London)

Banque Bruxelles Lambert S.A.

Banque Paribas (London)

Crédit du Nord

The Hongkong and Shanghai Banking Corporation

Swiss Bank Corporation

S.G. Warburg & Co. Ltd.

Amsterdam-Rotterdam Bank N.V.

The Bank of New York

National Australia Bank

The Mitsui Bank, Limited

Banco di Sicilia

Bank of China

Crédit Industriel et Commercial

London Branch

April, 1984

FT INTERNATIONAL BOND SERVICE

Table with columns: U.S. DOLLAR, Issued, Bid, Offer, day, week, Yield, Change on day. Lists various bonds like Alaska Housing, American Gov, Australia, etc.

FT INTERNATIONAL BOND SERVICE

Table with columns: O.K.B. 5 1/2, Issued, Bid, Offer, day, week, Yield, Change on day. Lists various bonds like Quebec Province, Soc. Lux. Cnl. 5 1/2, etc.

EUROBOND TURNOVER

Table with columns: U.S. \$ bonds, Euro, Cedel, clear. Shows turnover figures for last week and previous weeks.

Table with columns: U.S. DOLLAR, Issued, Bid, Offer, day, week, Yield, Change on day. Lists various bonds like Allianz, Amro Bank, etc.

Spillio 115

INTL. COMPANIES & FINANCE

Volker Stevin boosts profits by 40%

BY WALTER ELLIS IN AMSTERDAM

SALES fell sharply last year at Volker Stevin, the Dutch construction group, but the company still managed a 40 per cent improvement in earnings, to Fl 13.7m (\$4.5m).

The company expects little change in the stagnant domestic market but, in spite of its

expressed view that "there is as yet no sign of a revival in the international market for contractors," it is hopeful of an increase in the volume of its own international business.

Volker Stevin says that potential risks around the world have lessened (the company has in

the past suffered major losses in Nigeria). Even so, it considers the market still to be uncertain and makes no forecast for 1984 results.

Orders at the end of last year totalled Fl 1.4bn, compared with Fl 2.1bn in December 1982.

Record results for Japanese brokers

By Our Tokyo Staff

JAPAN'S four major securities houses have returned record parent company turnover and profits for the six months ended March 1984. Nomura Securities lifted earnings by 52 per cent and Daiwa Securities is 80 per cent ahead at the net level.

Yamaichi Securities and Nikko Securities have both doubled net profits. The reporting period for the houses takes in a big surge in trading volume, notably in January when the Tokyo stock market saw the Nikkei-Dow share index top 10,000 for the first time.

In the six months daily volume averaged 356m shares, down from 371m shares for the preceding half year. But transactions in value reached a record level, thanks to foreign buy-in of high-priced blue chips. Yamaichi Securities' brokerage commissions rose to 64 per cent of the total for the whole of the previous year.

Bond commissions expanded briskly and investment trust commissions increased, mirroring a steep gain in the net assets of medium-term government bond funds.

Nomura's half-year turnover rose to Y292.95bn (\$907m) from Y155.63bn in the same period of the previous year. Recurring profits totalled Y74.69bn, up 34 per cent, and net profits surged by 52 per cent to Y246m.

Nikko's recurring profits jumped by 109.3 per cent to Y46.49bn, with net profits of Y17.82bn, up 100 per cent.

Daiwa's recurring profits were Y48.82bn, up 61.4 per cent with net profits up 80 per cent to Y20.17bn. Yamaichi's recurring profits surged by 106.5 per cent to Y45.76bn, with net profits of Y16.78bn, up 103.4 per cent.

Singapore bank up

Industrial and Commercial Bank of Singapore reports a group profit after tax, diminution in assets, transfer to inner reserves, and minority interests, of S\$25.7m (US\$11.4m) in 1983, up 9 per cent in 1982. Dividend is held at 15 cents a share, AP-DJ reports from Singapore.

SBC continues to show improvement

BY JOHN WICKS IN ZURICH

SWISS BANK Corporation, whose net profits rose by 15.1 per cent last year to SwFr 429m (\$196m), reports a further improvement in earnings for the first quarter of this year.

The bank does not disclose quarterly profits but says that

practically all sectors of activity led to an increase in income over the corresponding period of 1983. Thanks to a buoyant stock exchange, commissions and other income from securities trading were "substantially higher," while increased

business volumes led to better net interest earnings despite a slight narrowing of margins. Profits from foreign-exchange dealings also rose, although there was a slight drop in income from precious metals trading.

North American Quarterly Results

AMERICAN NATURAL RESOURCES Natural gas trading			GREAT NORTHERN HERKOLA Pulp and paper			SHERWIN-WILLIAMS Paint producer		
First quarter	1984	1983	First quarter	1984	1983	First quarter	1984	1983
Revenue	\$ 1.5m	\$ 1.5m	Revenue	\$ 488.1m	\$ 371.7m	Revenue	\$ 483.9m	\$ 437.7m
Net profit	\$ 67.8m	\$ 65.2m	Net profit	\$ 23.7m	\$ 15.2m	Net profit	\$ 4.9m	\$ 2.2m
Net per share	2.74	2.52	Net per share	1.14	0.51	Net per share	0.21	0.10
BANK OF NEW YORK U.S. bank holding company			HARRIS BANKCORP Bank holding company			SOUTHWEST AIRLINES Domestic carrier		
First quarter	1984	1983	First quarter	1984	1983	First quarter	1984	1983
Revenue	\$ 25.8m	\$ 21.5m	Revenue	\$ 8.20m	\$ 7.42m	Revenue	\$ 125.1m	\$ 94.8m
Net profit	\$ 1.5m	\$ 1.4m	Net profit	\$ 7.7m	\$ 8.1m	Net profit	\$ 10.2m	\$ 5.1m
Net per share	1.08	1.40	Net per share	1.17	1.27	Net per share	0.35	0.18
BORDEN Foods, chemical products			KAISER CEMENT Sewage largest U.S. cement maker			SUNDSTRAND Mechanical and hydraulic components		
First quarter	1984	1983	First quarter	1984	1983	First quarter	1984	1983
Revenue	\$ 1.1m	\$ 22.2m	Revenue	\$ 31.2m	\$ 43.2m	Revenue	\$ 238.7m	\$ 222.2m
Net profit	\$ 33.8m	\$ 22.7m	Net profit	\$ 5.8m	\$ 174,000	Net profit	\$ 12.7m	\$ 8.7m
Net per share	1.22	0.78	Net per share	0.77	0.02	Net per share	0.70	0.52
BURLINGTON NORTHERN Rail, forest products, oil and gas			BEVLOR Cosmetics, health care			TANDY Electronic products retailer		
First quarter	1984	1983	First quarter	1984	1983	Third quarter	1983-84	1982-83
Revenue	\$ 2.31m	\$ 1.10m	Revenue	\$ 56.5m	\$ 52.5m	Revenue	\$ 65.1m	\$ 58.5m
Net profit	\$ 160.8m	\$ 70.5m	Net profit	\$ 24.5m	\$ 23.7m	Net profit	\$ 62.5m	\$ 57.4m
Net per share	1.90	0.92	Net per share	0.88	0.48	Net per share	6.90	6.55
EX-CELL-O Misc. goods			BOB Clothing, foods, paper products			TERRIEN Tapered roller bearings		
First quarter	1983-84	1982-83	Third quarter	1983-84	1982-83	First quarter	1984	1983
Revenue	\$ 398.2m	\$ 235.9m	Revenue	\$ 37.6m	\$ 42.5m	Revenue	\$ 287.6m	\$ 214.0m
Net profit	\$ 10.8m	\$ 9.7m	Net profit	\$ 0.7m	\$ 2.4m	Net profit	\$ 12.8m	\$ 5.1m
Net per share	0.76	0.76	Net per share	0.08	0.25	Net per share	1.10	0.46
DIT, MINERALS & CHEMICALS Fertilisers, animal products			SCOTT PAPER Paper tissues and towels			UNION CAMP Paper, paperboard		
Third quarter	1983-84	1982-83	First quarter	1984	1983	First quarter	1984	1983
Revenue	\$ 368.2m	\$ 371.6m	Revenue	\$ 812.8m	\$ 677.5m	Revenue	\$ 490.6m	\$ 398m
Net profit	\$ 28.2m	\$ 21.2m	Net profit	\$ 34.2m	\$ 18.1m	Net profit	\$ 42.2m	\$ 26.8m
Net per share	1.00	0.79	Net per share	0.70	0.41	Net per share	1.72	1.10

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Issue of
£100,000,000 10 1/2 PER CENT. NOTES 1989
At an issue price of 99 1/2 per cent.
with interest payable annually on April 15

Baring Brothers & Co., Limited

Algemeene Bank Nederland N.V.
County Bank Limited
Daiva Europe Limited
Hambros Bank Limited
Kleinwort, Benson Limited
LTCB International Limited
Samuel Montagu & Co. Limited
Morgan Guaranty Ltd
J. Henry Schroder Wagg & Co. Limited
Union Bank of Switzerland (Securities) Limited

Barclays Bank Group
Credit Suisse First Boston Limited
Deutsche Bank Aktiengesellschaft
Hill Samuel & Co. Limited
Lloyds Bank International Limited
Merrill Lynch Capital Markets
Morgan Grenfell & Co. Limited
Orion Royal Bank Limited
Société Générale
S. G. Warburg & Co. Ltd.

Alahli Bank of Kuwait (K.S.C.)
Al-Mal Group
Amro International Limited
Astaire & Company Ltd.

Julius Baer International Limited
Banca Commerciale Italiana
BankAmerica Investment Banking Group
Bank Gutzwiller, Kurz, Bungeer (Overseas) Limited
Bank in Liechtenstein AG
Bank Leu International Ltd.
Bank Mees & Hope NV

The Bank of Bermuda
Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg S.A.
Banque Louis-Dreyfus en Suisse SA
Banque Nationale de Paris

Banque de Neufville, Schlumberger, Mallet
Banque Paribas
Banque de l'Union Européenne
Banque Worms
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Blyth Eastman Paine Webber International Limited
Caisse Centrale des Banques Populaires
Caisse des Dépôts et Consignations
Caisse Nationale de Crédit Agricole
Cazenove & Co.
Charterhouse Japhet plc

Chase Manhattan Capital Markets Group
Chase Manhattan Limited
Chemical Bank International Group
CIBC LIMITED
Citicorp Capital Markets Group
Commerzbank Aktiengesellschaft
Continental Illinois Capital Markets Group

Crédit Commercial de France
Crédit du Nord
Crédit Lyonnais
Creditoanstalt-Bankverein
Dai-ichi Kangyo International Limited
DG Bank

Deutsche Genossenschaftsbank
Dillon, Read Overseas Corporation
Dominion Securities Ames Limited
Dresdner Bank Aktiengesellschaft
Effectenbank Warburg Aktiengesellschaft
Enskilda Securities
Skandinaviska Enskilda Limited
European Banking Company Limited
First Chicago Limited
Fuji International Finance Limited
Genossenschaftliche Zentralbank AG
Vienna

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
W. Greenwell & Co.
Grieverson, Grant & Co.
Grindlay Brant Limited
Guinness Mahon & Co. Limited
Hoare Govett Ltd.
IBJ International Limited
Kansallis-Osake-Pankki
Kidder, Peabody International Limited
Kittac & Aiken
Kreditbank N.V.
Lazard Brothers & Co., Ltd.
Lazard Frères et Cie
Lehman Brothers Kuhn Loeb International, Inc.
Manufacturers Hanover Limited
B. Metzler seel. Sohn & Co.
Mitsubishi Finance International Limited
Morgan Stanley International
The National Bank of Kuwait S.A.K.
Nederlandse Credietbank nv
New Japan Securities Europe Limited
The Nikko Securities Co., (Europe) Ltd.
Nippon Kangyo Kakumaru (Europe) Limited

Nomura International Limited
Norddeutsche Landesbank Girozentrale
Nordic Bank plc
Österreichische Länderbank Aktiengesellschaft
Phillips & Drew
Pierson, Holding & Pierson N.V.
PK Christiania Bank (UK) Ltd.
Postipankki
Prudential-Bache Securities
Rea Brothers Plc
N.M. Rothschild & Sons Limited
Rowe & Pitman
Salomon Brothers International Limited
Sawwa Bank (Underwriters) Limited
Sarasin International Securities Limited
Saudi International Bank
Al-Bank Al-Saudi Al-Alami Limited
Scandinavisk Bank Limited
Simon & Coates
Singer & Friedlander Limited
Smith Barney, Harris Upham & Co. Incorporated
Société Générale de Banque S.A.
Société Séquanaise de Banque
Standard Chartered Merchant Bank
Strauss Turnbull & Co.
Sumitomo Finance International
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Bank Corporation International Limited

Swiss Volksbank
The Taiyo Kobe Bank (Luxembourg) S.A.
Union Bank of Finland Ltd.
Vereins- und Westbank Aktiengesellschaft
Vickers da Costa Ltd.
J. Vontobel & Co. Ltd.
Wardley
Westdeutsche Landesbank Girozentrale
Williams & Glyn's Bank PLC
Wood Gundy Limited
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited

Market Makers in Eurosterling Bonds

Reuters Monitor Pages : BRGA/BRGB/BRGC/BRGD/BRGE

Telephone—Switchboard : 01-283 8833

—Direct : 01-283 3993

Telex : 883622



Baring Brothers & Co., Limited

This announcement appears as a matter of record only

April, 1984



REPUBLIC OF FINLAND

Issue of
£50,000,000 11 1/2 PER CENT. LOAN STOCK 2009
At an issue price of 98.043 per cent.

Payable as to £30 per cent. of the nominal amount on application and as to the balance of the issue price by June 26, 1984 with interest payable half yearly on April 15 and October 15

Baring Brothers & Co., Limited

County Bank Limited
Hill Samuel & Co. Limited
Samuel Montagu & Co. Limited
J. Henry Schroder Wagg & Co. Limited
Bank of Helsinki Ltd.
Postipankki

Hambros Bank Limited
Kleinwort, Benson Limited
Morgan Grenfell & Co. Limited
S. G. Warburg & Co. Ltd.
Kansallis-Osake-Pankki
Union Bank of Finland Ltd.

This announcement appears as a matter of record only

April 1984



INTER-AMERICAN DEVELOPMENT BANK

Issue of
£60,000,000 11 1/2 PER CENT. BONDS 1991
At an issue price of 99 1/2 per cent.
with interest payable annually on March 30

Baring Brothers & Co., Limited

S. G. Warburg & Co. Ltd.

Algemeene Bank Nederland N.V.
Barclays Bank Group
Credit Suisse First Boston Limited
Deutsche Bank Aktiengesellschaft
Hill Samuel & Co. Limited
Lloyds Bank International Limited
Samuel Montagu & Co. Limited
Morgan Guaranty Ltd
Orion Royal Bank Limited
Société Générale de Banque S.A.

Banque Paribas
County Bank Limited
Daiva Europe Limited
Hambros Bank Limited
Kleinwort, Benson Limited
Merrill Lynch Capital Markets
Morgan Grenfell & Co. Limited
Nomura International Limited
J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation International Limited

Alahli Bank of Kuwait (K.S.C.)
Al-Mal Group
American Express Bank International Group

Amro International Limited
Astaire & Company Ltd.
Banca Commerciale Italiana
BankAmerica Investment Banking Group
Bank Gutzwiller, Kurz, Bungeer (Overseas) Limited
Bank in Liechtenstein AG
Bank Leu International Ltd.
Bank Mees & Hope NV

Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris
Banque de Neufville, Schlumberger, Mallet
Banque de l'Union Européenne
Banque Worms
Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Blyth Eastman Paine Webber International Limited

Caisse Centrale des Banques Populaires
Caisse Nationale de Crédit Agricole
Cazenove & Co.
Charterhouse Japhet plc
Chase Manhattan Capital Markets Group
Chase Manhattan Limited
Chemical Bank International Group
CIBC LIMITED
Citicorp Capital Markets Group
Commerzbank Aktiengesellschaft
Compagnie de Banque et d'Investissements, CBI
Continental Illinois Capital Markets Group
Crédit Commercial de France
Crédit du Nord

Crédit Lyonnais
Creditoanstalt-Bankverein
Dai-ichi Kangyo International Limited
DG Bank

Deutsche Genossenschaftsbank
Dillon, Read Overseas Corporation
Dominion Securities Ames Limited
Dresdner Bank Aktiengesellschaft
Effectenbank Warburg Aktiengesellschaft
Enskilda Securities
Skandinaviska Enskilda Limited
European Banking Company Limited
First Chicago Limited
Fuji International Finance Limited
Genossenschaftliche Zentralbank AG
Vienna

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
W. Greenwell & Co.
Grieverson, Grant & Co.
Grindlay Brant Limited
Guinness Mahon & Co. Limited
Hoare Govett Ltd.
IBJ International Limited
Kansallis-Osake-Pankki
Kidder, Peabody International Limited
Kittac & Aiken
Kreditbank N.V.
Lazard Brothers & Co., Ltd.
Lazard Frères et Cie
Lehman Brothers Kuhn Loeb International, Inc.
LTCB International Limited
Manufacturers Hanover Limited
B. Metzler seel. Sohn & Co.
Mitsubishi Finance International Limited
Morgan Stanley International
The National Bank of Kuwait S.A.K.
Nederlandse Credietbank nv
New Japan Securities Europe Limited
The Nikko Securities Co., (Europe) Ltd.

Nippon Kangyo Kakumaru (Europe) Limited
Norddeutsche Landesbank Girozentrale
Nordic Bank plc
Österreichische Länderbank Aktiengesellschaft
Phillips & Drew
Pierson, Holding & Pierson N.V.
PK Christiania Bank (UK) Ltd.
Postipankki
Prudential-Bache Securities
Rea Brothers Plc
N.M. Rothschild & Sons Limited
Rowe & Pitman
Salomon Brothers International Limited
Sawwa Bank (Underwriters) Limited
Sarasin International Securities Limited
Scandinavisk Bank Limited
Simon & Coates
Singer & Friedlander Limited
Smith Barney, Harris Upham & Co. Incorporated
Société Générale
Société Séquanaise de Banque
Standard Chartered Merchant Bank
Strauss Turnbull & Co.
Sumitomo Finance International
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Volksbank
The Taiyo Kobe Bank (Luxembourg) S.A.
Union Bank of Finland Ltd.
Vereins- und Westbank Aktiengesellschaft
Vickers da Costa Ltd.
J. Vontobel & Co. Ltd.
Wardley
Westdeutsche Landesbank Girozentrale
Williams & Glyn's Bank PLC
Wood Gundy Limited
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited

Now Issue
April 24, 1984

TSUMURA JUNTENDO, INC.

Tokyo, Japan

DM 100,000,000 3 1/2% Deutsche Mark Bonds of 1984/1989 with Warrants attached

to subscribe for shares of Common Stock of

TSUMURA JUNTENDO, INC

Tokyo, Japan

the Bonds unconditionally and irrevocably guaranteed by

THE MITSUBISHI BANK, LIMITED

Tokyo, Japan

Issue Price: 100%

DG BANK Deutsche Genossenschaftsbank	The Nikko Securities Co., (Europe) Ltd.
Amro International Limited	Deutsche Bank Aktiengesellschaft
Mitsubishi Finance International Limited	Morgan Grenfell & Co., Limited
	Société Générale
Swiss Bank Corporation International Limited	

Abu Dhabi Investment Company	Alahli Bank of Kuwait (K.S.C.)	Algemene Bank Nederland N.V.	Andelsbanken A/S Danebank
Arab Banking Corporation (ABC)	Julius Baer International	Banca Commerciale Italiana	Banca della Svizzera Italiana
BankAmerica Investment Banking Group	Bank für Gemeinwirtschaft	Bank Gutzwiller, Kurz, Bungeer (Overseas)	Bank Lou International Ltd.
Bank of Tokyo (Deutschland) Aktiengesellschaft	Bank J. Vontobel & Co. AG	Banque Arabe et Internationale d'Investissement (B.A.I.)	
Banque Bruxelles Lambert S.A.	Banque Générale du Luxembourg S.A.	Banque Indosuez	Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris	Banque Populaire Suisse S.A.	Barclays Bank Group	Baring Brothers & Co., Bayerische Hypothek- und Wechsel-Bank Luxembourg
Bayerische Landesbank Girozentrale	Bayerische Vereinsbank	B.E.G. Bank	Joh. Barenberg, Gosler & Co.
Berliner Handels- und Frankfurter Bank	Bankhaus Gebrüder Bethmann	Caisse Centrale des Banques Populaires	
Caisse des Dépôts et Consignations	Caisse Nationale de Crédit Agricole	Chemical Bank International Group	Citibank Capital Markets Group
Commerzbank	County Bank	Crédit Commercial de France	Crédit Lyonnais
Creditanstalt-Bankverein	Da-ichi Kangyo International	Daiva Europe Limited	Deutsche Girozentrale
Dresdner Bank	Effectenbank-Warburg	Enkilda Securities	European Banking Company
Girozentrale und Bank der österreichischen Sparkassen	Goldman Sachs International Corp.	Hambros Bank	Handelsbank N.W. (Overseas) Ltd.
Hessische Landesbank - Girozentrale	Hill Samuel & Co.	Industriebank von Japan (Deutschland)	Istituto Bancario San Paolo di Torino
Kleinwort, Benson	Koojman Effectenkauf BV	Kreditbank N.V.	Kreditbank S.A. Luxembourgeoise
Kuwait Foreign Trading Contracting & Investment Co. (SAK)	Kuwait International Investment Co. s.a.k.	Kuwait Investment Company (SAK)	
Bankhaus Hermann Lampe	Landesbank Rheinland-Pfalz - Girozentrale	Lazard Brothers & Co.	Lehman Brothers Kuhn Loeb
London & Continental Bankers	LTCB International	Manufacturers Hanover	Bankhaus Marcard & Co.
Merrill Lynch Capital Markets	B. Metzler sohn & Co.	Mitsui Finance International	Samuel Montagu & Co.
Morgan Stanley International	The Nikko Securities Co., (Deutschland) GmbH	Nomura International Limited	Norddeutsche Landesbank
Österreichische Länderbank	Sal. Oppenheim jr. & Cie.	Orion Royal Bank	Rabobank Nederland
J. Henry Schroder Wegg & Co.	Société Générale de Banque S.A.	Sumitomo Finance International	Trinkaus & Burkhart
Union Bank of Switzerland (Securities)	Verband Schweizerischer Kantonalbanken	Vereins- und Westbank	M.M. Warburg-Brückmann, Wirtz & Co.
S.G. Warburg & Co. Ltd.	Wardley	Westdeutsche Landesbank	Westfalenbank
		Girozentrale	Wood Gundy Limited
			Yamaichi International (Europe)

Companies and Markets

INTL. COMPANIES & FINANCE

Arab investment group may take Hanomag stake

BY JOHN DAVIES IN FRANKFURT

THE WEST GERMAN group which has taken over Hanomag, part of the ill-fated IBH construction equipment concern, is pursuing negotiations about possible future involvement of Arab interests.

The Papeburg-Gassmann group of businessmen emerged as the new controllers of Hanomag after a number of potential buyers engaged in months of wrangling over the bankrupt concern.

The businessmen now have begun negotiations with the Arabians General Investment Corporation (Agico) of Dubai, which has been among the companies weighing up Hanomag's prospects.

The West Germans have sug-

gested that Agico might be interested in taking over 50 per cent or more of Hanomag, but they do not expect the outcome of the negotiations to be clear until mid-May at the earliest.

Hanomag closed completely at the end of March, but reopened a fortnight later with 200 workers on the first shift.

The Papeburg-Gassmann group plans to build up production and the number of workers over the next few months, but the scale of the operation will depend to a large extent on whether Arab or other interests also become involved.

When the IBH group collapsed late last year, its Hanomag subsidiary employed about

2,600 workers and had just laid the foundation stone for a new DM 170m (\$64m) factory.

The Papeburg-Gassmann group includes the brothers Horst and Helmut Gassmann, who with their father are involved in the sale of cars and construction equipment. They have been joined by Herr Günter Papeburg, whose interests include construction projects.

Their takeover of Hanomag and the prospect of foreign partners have raised hopes that the company's operations can be built up again in Hanover. Hanomag's origins in Hanover date back nearly 150 years and its near-collapse has been a severe blow to the city.

DAL charts course for return to profits

By Our Frankfurt Staff

DEUTSCHE ANLAGEN-LEASING (DAL), the troubled West German leasing concern, aims to return to profitability in 1986 under a drastically re-oriented strategy.

It plans to give up foreign operations, apart from a minor holding in Austria, and will avoid small-scale business not only in real estate but also in other areas of leasing.

DAL plunged into a crisis last year when it became clear that its owners—a consortium of five banks—would have to set aside considerable funds to cover provisions and write-offs.

Three executives departed from DAL, whose affairs now are headed by Professor Hans Wielenz. The troubles at DAL also contributed to problems at Westdeutsche Landesbank (WesLB), where two executives—including the head of DAL's supervisory board—left the bank's management team.

As part of its new orientation, DAL is seeking to minimize its risk liability, is streamlining its organization and is cutting its staff. Personnel and material costs, which rose from DM 36m in 1977 to DM 130 (\$49m) in 1982, are to be halved in the next two to three years.

DAL expects to operate at a loss this year and next year before reaping the benefits of its new strategy.

The write-offs and provisions to be met by the group's bank shareholders are estimated for 1983 at between DM 400m and DM 670m. But final details are not expected to be known for some months. This comes on top of provisions on 1982 results of DM 256m, of which DM 224m had to be met by DAL's owners.

WesLB, with a 30 per cent stake, is DAL's biggest single shareholder, alongside Landesbank Rheinland-Pfalz (26.5 per cent), Bayerische Landesbank (16.7 per cent), Hessische Landesbank (16.7 per cent) and Dresdner Bank (10 per cent).

Professor Wielenz has indicated that DAL's problems arose from its expansion into high-risk areas, notably foreign business.

New Straits Times plans rights

BY WONG SUI-IONG IN KUALA LUMPUR

NEW Straits Times, Malaysia's largest newspaper, publishing group reports strong earnings growth, and announces plans for a scrip and rights issue.

For six months ended February 1984, NST, which publishes the nation's largest English-language newspaper and the financial daily, Business Times, recorded an 18.7 per cent increase in pre-tax profit to 24.9m ringgit (\$US10.9m). Turnover rose by 11 per cent to 84m ringgit.

Profit after tax and extraordinary items rose by 24 per cent to 13.4m ringgit, or 88 cents per share.

The performance was achieved on good advertising revenues and stable newsprint and production costs.

The rights issue, priced at 4.5 ringgit a share, would raise 51.5m ringgit for expansion. New projects include the establishment of a new printing plant on the east coast of West Malaysia, investing in Faber Merlin, the hotel and property

group, and developing new businesses, notably in information services.

NST is paying an unchanged interim dividend of 15 cents.

Meanwhile, its parent holding company, Fiset Holdings, has officially launched its 45m ringgit television project some eight months ahead of schedule.

This is Malaysia's first private TV station, and will initially transmit programmes within a radius of 80 kilometres around Kuala Lumpur.

Record first quarter at 3M

By William Hall in New York

MINNESOTA Mining and Manufacturing (3M), the U.S. consumer and industrial goods conglomerate, had a record first quarter this year, with net income rising by 11.4 per cent to \$175m or \$1.50 a share.

Mr Lewis Lehr, the chairman, said the group experienced double-digit unit volume growth in both the U.S. and overseas markets. In value terms sales rose by 10.1 per cent to \$1.57bn.

Overseas, where 3M has been hit by the strength of the dollar, there was an "improvement in the tone of economic activity," with unit volume rising 13 per cent.

Fiat Trattori buys French farm machinery maker

BY JAMES BUXTON IN ROME

FIAT TRATTORI, the agricultural equipment subsidiary of Fiat, is to take over the French company, Baudouin. Europe's leading maker of machines for harvesting grapes. The deal is worth FF 75m (\$9.2m) over three years.

Fiat Trattori's combine harvester subsidiary, Laverda, will purchase 75 per cent of Baudouin from IDI, the French institute for industrial development, and will buy the remaining 25 per cent in three years' time.

Baudouin, which is based at Angers, has turnover of about FF 200m and a workforce of 350. The deal fills a gap in the

product range of Fiat Trattori and of its subsidiaries, Laverda and Hesston of the U.S.

Selenia, the Italian state-owned maker of radar, missiles and other electronic equipment, almost trebled profits in 1983 to L15bn (\$9m) from L5.7bn in 1982.

Sales rose by 22 per cent to L478.5bn, of which 74 per cent were exports. Orders worth L585bn were acquired in 1983.

The Rome-based company, which is part of the IRI-STET group, invested L75bn in research and development last year.

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.



New Zealand

£100,000,000

10 1/2 per cent. Notes 1989

Issue price 99 1/2 per cent.

The following have agreed to subscribe or procure subscribers for the Notes:—

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Baring Brothers & Co., Limited	Citicorp International Bank Limited
Commerzbank Aktiengesellschaft	County Bank Limited
Daiwa Europe Limited	Deutsche Bank Aktiengesellschaft
Fuji International Finance Limited	Hambros Bank Limited
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Swiss Bank Corporation International Limited	Bank of New Zealand

Development Finance Corporation of New Zealand

The £100,000,000 principal amount of Notes constituting the above issue has been admitted to the Official List of The Stock Exchange of the United Kingdom and the Republic of Ireland, subject only to issue. Interest is payable annually on 27th April, the first such payment being due on 27th April, 1985.

Particulars of the Notes are available from Extel Statistical Services Limited and copies may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 6th May, 1984 from:—

Scrimgeour, Kemp-Gee & Co.,
20 Copthall Avenue,
London EC2R 7JS

Rowe & Pitman,
City-Gate House,
39-45 Finsbury Square,
London EC2A 1JA

24th April, 1984

This advertisement complies with the requirements of The Stock Exchange

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Issue of up to
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The following have agreed to subscribe or procure subscribers for the Notes:

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Crédit Lyonnais	Girozentrale und Bank der Österreichischen Sparkassen	
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Sumitomo Trust International	Morgan Grenfell & Co.	Sumitomo Finance International
	Svenska International Limited	Wood Gundy

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List, subject to the issue of a temporary Global Note.

Particulars of National Westminster Finance B.V. and the Notes are available from Extel Statistical Services Limited, and may be obtained during normal business hours on any weekday up to and including 6th May, 1984 from:

County Bank Limited
11 Old Broad Street
London EC2N 1BB

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15 Tokenhouse Yard
London EC3R 7AN

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3 Moorgate Place
London EC2R 6HR

24th April, 1984

دولار صحت اقبال

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 2pm, April 23

Table of American Stock Exchange Composite Prices, listing various stocks with columns for 12 Month High/Low, Stock Name, Div. Yld., P/E, 100s High, Low, and Change.

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Table of New York Stock Exchange Composite Prices, listing various stocks with columns for 12 Month High/Low, Stock Name, Div. Yld., P/E, 100s High, Low, and Change.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

WORLD VALUE OF THE DOLLAR every Friday in the Financial Times

WORLD STOCK MARKETS

Table of world stock markets including sections for Austria, Germany, Norway, Australia, Japan, Over-the-Counter, and LONDON. Each section lists various stocks with their prices and changes.

Table of American Stock Exchange Prices, listing various US stocks and their current market prices.

Advertisement for 'BUSINESS INFORMATION FOR SALE' featuring a silhouette of a person and text describing the service's offerings, including financial statistics and market analysis.

Table of World Economic Indicators, providing data on various economic metrics such as GDP, inflation, and interest rates across different countries.

WORLD STOCK MARKETS

Over The Counter

Table with columns: Stock, Sales, High, Low, Last, Change. Lists various stocks like JPL, KOS, etc.

Indices

NEW YORK

Table showing DOW JONES and NEW YORK indices for April 1984, including Industrial, Comp's, and Bond yields.

STANDARD AND POORS

Table showing Standard and Poors indices for April 1984, including Industrial, Comp's, and Bond yields.

N.Y.S.E. ALL OTHERS

Table showing N.Y.S.E. All Other indices for April 1984, including Industrial, Comp's, and Bond yields.

NEW YORK ACTIVE STOCKS

Table showing New York Active Stocks for April 1984, including Carter Hewley, ATT, etc.

MONTRAL

Table showing Montreal indices for April 1984, including Industrial, Comp's, and Bond yields.

TORONTO

Table showing Toronto indices for April 1984, including Industrial, Comp's, and Bond yields.

Stock

Table showing various stock prices and changes for April 1984.

April 23, 20, 19, 18, 1984

Large table showing international stock market data for various countries including Australia, Austria, Belgium, Denmark, France, Germany, Hong Kong, Italy, Japan, Netherlands, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, and the World.

INSURANCE

Sharp rise in cost of reinsurance protection

BY JOHN MOORE, CITY CORRESPONDENT

Main article text discussing the sharp rise in reinsurance costs, mentioning factors like increased claims, reduced capacity, and the impact on various industries.

Buildings VAT call backed

Text discussing the VAT on buildings, mentioning the Building Economic Development Committee and the impact on the construction industry.

CHIVERS Our business has been building since 1884. 21 Escourt Street, Devizes, Wiltshire SN10 1LL. Tel: 0380 221. Telex: 449250.

CONSTRUCTION CONTRACTS £33m road jobs for Tarmac and Budge

THE £17m construction contract for the 7 km A6 Chalklands Frith and Whaley Bridge by-pass has been awarded to TARMAC CONSTRUCTION. A 21-year contract period has been allowed for the construction of a 1.5 km section of trunk road on the west side of the Peak District in north Derbyshire.

WILLIAM TOWNSON AND SONS

WILLIAM TOWNSON AND SONS has won contracts worth £2.8m. They include the construction of a single-storey 60 place adult training centre and the construction of the county analyst laboratory in Preston.

GOLD It is proposed to publish a survey on the above subject on: MONDAY APRIL 30. This will coincide with the F.T. International Gold Conference in Hong Kong. For further details and advertising rates please contact: HUGH SUTTON, Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY. Tel: 01-243 8000 Ext 3300.

1975 1983 1984 Biwater Treatment Ltd are privileged to receive a third Queen's Award for Export Achievement. WATER ENGINEERING WORLDWIDE. Biwater Treatment Ltd are privileged to receive a third Queen's Award for Export Achievement.

UK COMPANY NEWS

RECENT ISSUES

Greggs looks for expansion after getting full SE listing

Greggs, a bakery and retailer group based in the North of England and Scotland, is getting a full listing on the Stock Exchange. Hambros Bank is offering 10.8m shares...

Subscription lists open on Friday. Dealings should commence on Friday, May 4. Comment: Greggs will start as a minnow among the giants of food retailing...

Second half boost for Fortnum & Mason

A TRADING profit of £312,000, against a £65,000 loss, was earned by the Fortnum & Mason department store in the year to January 23 1984. And, after interest received, profits at the taxable level moved ahead from £188,000 to £322,000.

Thomas Marshall back in profit

FOLLOWING A reduced loss at half-year, Thomas Marshall (Laxley) made profits in the second six months and finished the year with a taxable surplus of £285,000 against a £471,000 loss.

Commenting on the year the directors say that at Marshall's Refractories it was necessary not only to make substantial reductions in the payroll but also to eliminate product lines which in the short-term were not remunerative and to institute an incentive payment system to replace existing piece-work payments...

Table of EQUITIES with columns for Stock, High, Low, and various financial metrics.

Table of FIXED INTEREST STOCKS with columns for Stock, High, Low, and various financial metrics.

Table of RIGHTS OFFERS with columns for Stock, High, Low, and various financial metrics.

Table of BOARD MEETINGS listing company names and dates.

Table of BASE LENDING RATES listing bank names and interest rates.

Table of PENDING DIVIDENDS listing company names and dividend details.

Table of Today's Rates 9 3/4% - 10 3/4% listing various financial rates and terms.

Advertisement for 31 Term Deposits with details on interest rates and terms.

Snub for Hanson's U.S. bid

Hanson Trust has received a clear snub from the board of U.S. Industries, which has responded to the UK group's takeover overtures by advising shareholders not to tender their shares for the time being.

Capital programme costs Unilever £491m worldwide

IMPORTANT CAPITAL investments were made by Unilever, the Anglo-Dutch food, detergent and toiletries group in 1983, and capital expenditure amounted to £481m—an increase of 19m over 1982.

The number of employees at all levels was reduced, and the year-end worldwide workforce had been reduced by some 20,000 to 306,000. He says successful efforts to reduce absenteeism have also helped the process of achieving higher productivity...

FT share Information

The following securities have been added to the FT Share Information Service: Clearprint Holdings (Section: Electricals); Norbita Electronics (Electricals); Reed Steanhase Companies (Class 'A') (Insurance); Sangers Photographics (Leisure).

COMPANY NEWS IN BRIEF

Continued growth at SI Greep's brewing orientated manufacturing subsidiaries resulted in very satisfactory results in the interim period with group taxable profits moving ahead 50 per cent from £26,000 to £39,000.

BOARD MEETINGS

TODAY: Interim: New Acumilla Investment Trust; Anheuser Chemical, Serway, Zentella, Caparo Industries, Clement Clark, Anglo-Dutch Food, English Lighting, National Investment, Fab International, Futum, Lawrence, Coastal, Valene of London, Moore, Smith, Murrin and Peacock, and Tompkins, Thomas Warrington.

Trade Development Bank Holding S.A. Luxembourg

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Trade Development Bank Holding S.A. (TDB Holding) will be held at the registered office of the Company, 13, Boulevard de la Foire, Luxembourg at 2:30 p.m. on 8th May, 1984 for the purpose of considering and voting on the following matters:

- 1. Approval of the Chairman's Statement.
2. Approval of the Statutory Auditors' report and the unconsolidated financial statements of the Company for the year ended 31st December, 1983.
3. Discharge of the Directors and of the Statutory Auditors concerning their duties relative to the year ended 31st December, 1983.
4. Distribution of a dividend of US\$ 0.75 per share and the carrying forward of the balance of the profit.
5. Election of the Board of Directors for 1984. Standing for election: Messrs. Edmond J. Safra, Francois Lugeon, George B. Balamut, Jean Hoss, Roger Junod, C. G. Rodney Leach, John A. Waage and Walter H. Wiener.
6. Election of the Statutory Auditors for 1984.
7. Approval of the consolidated financial statements of the Company for the year ended 31st December, 1983.
8. Amendment of the corporate name, and consequential amendment of Article One of the Articles of Incorporation.

NOTES: Subject to the relevant resolution being approved, the dividend will be payable on 1st June, 1984: (i) in respect of registered shares to shareholders on the register as at 1st May, 1984 and (ii) in respect of bearer shares against surrender of Coupon No. 15 to any of the Paying Agents listed below. Any shareholder whose shares are in bearer form and who wishes to attend the Annual General Meeting in person must produce a depositary receipt or present his share certificates to gain admission. If he wishes to be represented at the meeting, he must lodge a proxy duly completed together with a depositary receipt at the registered office of TDB Holding at 13, Boulevard de la Foire, Luxembourg, not later than 7th May, 1984 at 3:00 p.m. The shareholder may begin the depositary receipt and, if required, the form of proxy from any of the banks listed below by lodging his share certificates at their office or by arranging for the bank by whom his certificates are held to notify any of the banks listed that shares are so held. Any shareholder whose shares are registered will receive a notice of the Annual General Meeting at his address on the register together with a form of proxy for use at the meeting. The proxy should be lodged at TDB Holding's office in accordance with the above instructions. The remittance of the form of proxy will not preclude a shareholder from attending in person and voting at the meeting if he so desires. The resolutions concerning items 1 to 7 of the Agenda may be passed by a simple majority provided that no single shareholder or proxy may cast votes in respect of more than one fifth of the issued share capital or more than two fifths of all shares represented at the meeting. The resolution concerning item 8 of the Agenda requires a majority of at least two thirds of the votes of the shareholders present and represented, provided there is a quorum of at least fifty percent of shares for which any shareholder or proxy may cast votes. Copies of this notice and of the Annual Report, including the financial statements of TDB Holding for the year ended 31st December, 1983, may be obtained at its registered office, and from any of the banks at the following addresses:

- *Manufacturers Hanover Limited, 8 Princes Street, London EC2P 2EN.
*Banque Internationale à Luxembourg S.A., 2, Boulevard Royal, Luxembourg.
*Manufacturers Hanover Bank Belgium, 13, Rue de Ligne, 1000 Brussels.
*Manufacturers Hanover Banque Nordique, 20, Rue de la Ville-Evêque, 75008 Paris.
*Manufacturers Hanover Trust Company, 40 Wall Street, New York, N.Y. 10015.
*Manufacturers Hanover Trust Company, Boekenbeemster Landstr. 31/33, Frankfurt.
*Republic National Bank of New York, 452 Fifth Avenue, New York, N.Y. 10018.
*Trade Development Bank, 29, Corso S. Gottardo, 68100 Chiasso, I.
*Trade Development Bank (France) S.A., 20, Place Vendôme, 75001 Paris.
*Trade Development Bank (Luxembourg) S.A., 34, Avenue de la Porte-Neuve, Luxembourg.
*Trade Development Bank, 2, Place du Lac, 1204 Geneva.
*Paying Agent of TDB Holding.

Trade Development Bank Holding S.A. Luxembourg

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*Manufacturers Hanover Bank Belgium, 13, Rue de Ligne, 1000 Brussels.
*Manufacturers Hanover Banque Nordique, 20, Rue de la Ville-Evêque, 75008 Paris.
*Manufacturers Hanover Trust Company, 40 Wall Street, New York, N.Y. 10015.
*Manufacturers Hanover Trust Company, Boekenbeemster Landstr. 31/33, Frankfurt.
*Republic National Bank of New York, 452 Fifth Avenue, New York, N.Y. 10018.
*Trade Development Bank, 29, Corso S. Gottardo, 68100 Chiasso, I.
*Trade Development Bank (France) S.A., 20, Place Vendôme, 75001 Paris.
*Trade Development Bank (Luxembourg) S.A., 34, Avenue de la Porte-Neuve, Luxembourg.
*Trade Development Bank, 2, Place du Lac, 1204 Geneva.
*Paying Agent of TDB Holding.

Table of FINANCIAL TIMES STOCK INDICES showing various market indices and their values.

Advertisement for LABROKE INDEX with contact information and details.

Advertisement for Rothchild Asset Management (CI) listing services and contact details.

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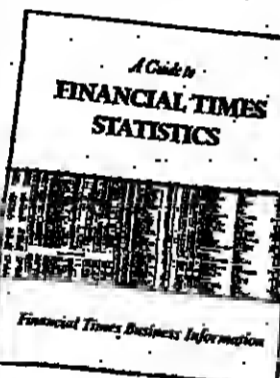
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Bank of Tokyo (Curacao) Holding N.V.
 US\$30,000,000
 GUARANTEED FLOATING RATE NOTES DUE 1993



Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

The Bank of Tokyo, Ltd.

(Kabushiki Kaisha Tokyo Ginko)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curacao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank, N.A., dated October 16, 1978, notice is hereby given that the Rate of Interest has been fixed at 11.75% p.a., and that the interest payable on the relevant Interest Payment Date, October 24, 1984, against Coupon No. 12 will be US\$58.14.

April 24, 1984, London
 By: Citibank, N.A. (CSSI Dept), Agent Bank



SUN ALLIANCE INSURANCE GROUP

Comments by the Chairman - Lord Aldington

In opening my statement last year, I said that world insurance markets were in a bad way. In 1983, there was a limited change for the better, but only in some areas. In Sun Alliance we have reduced our underwriting loss from £70.9m to £67.4m and at the same time achieved a small real increase in premiums in a number of sectors of business without departing from the policy of responsible underwriting. Although this reflects an excellent performance by our staff and compares well with our major competitors, it also reflects a far from satisfactory situation in world insurance markets. We can take comfort both from modest signs of better intentions, and from limited signs of action, as well as from our performance in most of the home market; but our reinsurance business has continued to prove how right were my warnings in earlier years and in September last. We have sharply cut back on reinsurance. We expect losses in the future to be much reduced. We shall need much more evidence of longer term recovery before we seek to expand there.

Our investment performance was again good and the markets were favourable. Our solvency margin at the end of 1983 was 125%. The combination of a reduced underwriting loss, an increase in the Life business contribution and an £11.4m increase in investment income led to a profit before tax of £73.4m compared with £56.8m in 1982. I must emphasise once again the strength of our asset position both in allowing us wider opportunities in investment and in giving us a solid base for expansion when the markets make that sensible.

DIVIDEND

The Directors have resolved to declare a total dividend of 56p per share which compares with 48p paid for 1982 - an increase of 16.7%. An interim dividend of 22p was paid in January and the final dividend of 34p will be paid on 5th July next.

Your Directors hope that the strong asset position of the Group will enable them to continue a steady increase in the dividend, even while the world insurance markets remain in a poor state.

RECENT DEVELOPMENTS

There are those who see the long term outlook for insurance and insurance companies as bleak. We do not. For this Group we see a profitable future with sound growth. Certainly we shall not be able to return to the trading patterns of the 1970's. In those years developments both in the industrialised and third world countries brought fundamental and permanent changes but they are changes to which we can and do respond. New communications technology has opened up new fields in world-wide insurance marketing. Our business has always been international and is becoming more so. Insurance buyers and sellers throughout the world are in almost instant communication and capacity available in Singapore or New York is often as readily available to a London broker as capacity in the City of London itself.

It is not therefore surprising that one of the rapidly developing areas in our Group is the International Department, dealing with composite insurance programmes for large companies with operations in many parts of the globe. This department, working in conjunction with our companies, branches and agencies all over the world, enables us to respond promptly to the insurance requirements of companies producing an infinite variety of products and services under differing systems of law and trading practices. Much concern has been expressed about the development of self-insurance and captive companies. Certainly these have had an impact on traditional insurance markets. They have emerged as a natural development following the growth of industrial companies by merger and acquisition. Much of this development has been logical and healthy; and we accept the challenge to provide viable alternatives or, where appropriate, to provide new services in partnership with industry and other financial institutions.

We are encouraged by the way in which the limits of insurability are being pushed ever outwards. We are constantly devising underwriting techniques for new kinds of risk for developing industries like electronics,

energy and space exploration; and there is, in practically all areas of insurance, a growing trend away from cover for specific perils towards insurance against loss in its much wider sense.

It is generally accepted that bad underwriting results have been due largely to competition in a world market awash with insurance and reinsurance capacity, itself created because too many have ill-advisedly put too much reliance on investment income to offset these results. We must, however, be careful not to blame all our troubles on one cause. Over the last few years underwriting performances have slipped and London must accept its duty to lead the industry back to the best underwriting standards. For though many of the conditions have gone which first made London the centre of world insurance, the reputation for trading integrity and professional expertise which remains, and must be maintained, gives London a special place in the insurance world.

LIFE ASSURANCE

We question the wisdom of the Chancellor in abolishing for the future, and without prior consultation with the life assurance industry, life assurance premium relief. The relief was introduced nearly 200 years ago and is as old as income tax; it has provided vital encouragement to millions of people to buy protection and security from their own resources rather than rely upon the State.

The following is a quote from William Pitt's introduction of the Income Duty Bill of 1799 in which, after extolling the virtues of a tax on incomes, he said: -

... there is one case which with a view to that class who are really willing to save for the benefit of those for whom they are bound to provide, makes some modification. It is in favour of those who have recourse to that easy, certain and advantageous mode of providing for their families by insuring their lives. In this bill, as in the assessed taxes, a deduction is allowed for what is paid on this account.

We find it curious that a government dedicated to persuading its fellow-citizens to "stand on their own feet" should so arbitrarily abandon William Pitt's principles. This tax concession has admittedly in recent years become a significant feature in some of

the shorter term contracts but we believe the concessions should and could have been retained for appropriate long term life and savings policies. It is not usually wise to let the baby go out with the bathwater, just because one does not like the bathwater.

Some of the companies in the Sun Alliance Group had themselves been trading for nearly a century before William Pitt introduced life assurance policy relief. During that time wars, governments and Chancellors have come and gone and we have survived and prospered under constantly changing environments. We shall continue to do so.

CONCLUSION

During 1983 we have been able to achieve a number of the major objectives we set ourselves at the beginning of the year. At home we have won some real increase in premiums and have improved overall our underwriting and marketing performance. In direct marketing we have taken a lead. At the same time we have taken advantage of the latest developments in computer technology and benefited from the reorganisation which was completed in 1982.

In Europe, Canada, Australia and in several other territories results have been better and in the United States of America, a marked improvement in most classes of business was overshadowed by severe weather losses and medical malpractice reserving requirements. The wholesale revision of our reinsurance operations has been completed and the action taken has reduced substantially the size of our portfolio.

Our Marine business continues to be well managed and in difficult circumstances a break-even result was achieved.

Our Life business has grown at an unprecedented rate helped by the changes in tax relief on mortgage payments. We should not, however, allow the growth from this source to blind us to the excellent expansion in other areas of our Life account.

Summary of Results - 1983

	1983 £m	1982 £m
Premium Income		
General Insurance	884.8	789.9
Long-term Insurance	294.3	208.0
	<u>1,179.1</u>	<u>997.9</u>
General Insurance Underwriting Result	(67.4)	(70.9)
Long-term Insurance Profits	8.5	7.0
Investment Income	131.3	119.9
Other Income	1.0	0.8
Profit before Taxation	73.4	56.8
Taxation and Minority Interests	27.4	20.8
Profit attributable to Shareholders	46.0	36.0
Dividend	27.6	23.7
Profit Retained	18.4	12.3
Earnings per Share	93.3p	73.0p
Dividend per Share	56.0p	48.0p

The Annual General Meeting of Sun Alliance and London Insurance plc will be held on 16th May, 1984 at the Head Office, Bartholomew Lane, London EC2.

Spirax-sarco

Another year of progress at home and overseas

energy saving round the world

Pre-tax profits up 29.3% to £11.0m

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Group again demonstrates ability to prosper in difficult times

Important acquisitions in North America represent a major expansion of the Group's worldwide business

1984 has started well, especially in the United States

Further year of real progress envisaged

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CURRENCIES; MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

European unrest boosts dollar

BY COLIN MILLHAM

The dollar rose above DM 2.65 last Thursday, the highest level for nearly two months. This was partly in reaction to larger-than-expected growth of 8.3 per cent in U.S. first-quarter gross national product, but was also the result of fears about strikes by the West German metal workers' union, threatening to bring the steel, engineering and motor industries to a halt.

begin on the previous Friday when a large order to buy dollars against the D-mark by a major U.S. oil company sent the dollar up. The market volume had been higher.

Economic statistics issued during the week were not expected to help the dollar, but apart from the GNP figure, the market chose to ignore most others, including a sharp fall of 26.6 per cent in U.S. March housing starts. This figure is often introduced by seasonal distortions, and in this case was almost certainly the result of very bad weather conditions, rather than any economic reversal.

1 cent against the U.S. currency, and improving against the Deutsche Mark, and EMS members. The miners' strike remained the principal reason for the nervousness about sterling, but with warmer weather approaching, high coal stocks at power stations and doubts about the attitude of other unions, the market seemed to be waiting until the full effect of the strike becomes clear.

£ in New York

Table with columns: April 20, Prev. Close. Rows: Spot, 1 month, 3 months, 6 months, 12 months.

FORWARD RATES AGAINST STERLING

Table with columns: Dollar, 1 month, 3 months, 6 months, 12 months. Rows: D-Mark, French Franc, Swiss Franc, Japanese Yen.

BANK OF ENGLAND TREASURY TENDER

Table with columns: April 18, April 16, April 19, April 10. Rows: Bills on offer, Total, Top Accepted, Average, Minimum, Allotment at minimum level.

THE DOLLAR SPOT AND FORWARD

Table with columns: April 19, Close, One month, % Three months, % Six months. Rows: UK, Ireland, Canada, Belgium, Denmark, France, Germany, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Taiwan, Thailand, U.S.A., U.K., Yugoslavia.

CURRENCY MOVEMENTS CURRENCY RATES

Table with columns: Apr. 19, Bank of England, Morgan Guaranty, April 16, Special Drawing, European Currency Unit. Rows: Sterling, U.S. dollar, Canadian dollar, Australian dollar, Swiss franc, Danish krone, Deutsche mark, French franc, Italian lira, Japanese yen, New Zealand dollar, Saudi Arabian riyal, Singapore dollar, South African rand, U.S. dollar, U.K. sterling.

THE POUND SPOT AND FORWARD

Table with columns: April 19, Day's spread, Close, One month, % Three months, % Six months. Rows: U.S., Canada, Denmark, Germany, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Taiwan, Thailand, U.S.A., U.K., Yugoslavia.

OTHER CURRENCIES

Table with columns: Apr. 19, Close, One month, % Three months, % Six months. Rows: Argentina, Australia, Brazil, Canada, Denmark, Germany, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Taiwan, Thailand, U.S.A., U.K., Yugoslavia.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: ECU, Currency, % change, % change, % change. Rows: Belgium, Denmark, Germany, France, Italy, Netherlands, Luxembourg, Portugal, Spain, Sweden, Switzerland, U.K., U.S.A., U.K., Yugoslavia.

EXCHANGE CROSS RATES

Table with columns: Apr. 19, Pound Sterling, U.S. Dollar, Deutsche Mark, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, Belgian Franc.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table with columns: Apr. 19, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, D-Mark, French Franc, Italian Lira, Belgian Franc, Yen, Danish Kroner.

MONEY MARKETS

Resigned to higher rates

London's money market has become almost resigned to an upward move in interest rates, but the timing remains the subject of considerable doubt. The profit and money markets are both very quiet, lacking any incentive to trade as U.S. interest rates firm, and the New York bond market retreated.

at the end of the year has a ring of truth about it as far as the market is concerned, particularly after the much faster first quarter gross national product growth figure than expected, announced on Thursday.

There has been no sign of panic as yet anywhere in Europe, partly because the upward trend in rates is being met with the effect of taking pressure off the weaker members of the Euro-

pean Monetary System as the petrolium strong D-mark falls from favour, thus reducing any need for a move to raise rates by the central banks in Brussels and Paris. The Bank of England has also had few problems so far, although the discount houses remain willing sellers of long dated bills for fear of an upward adjustment in rates during the next few months.

MONEY RATES

Table with columns: Apr. 19, Frankfurt, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin. Rows: Overnight, One month, Three months, Six months, One year.

LONDON MONEY RATES

Table with columns: Apr. 18, Sterling, Interbank, Local Authority deposits, Company deposits, Market deposits, Treasury (Buy), Treasury (Sell), Eligible (Buy), Eligible (Sell), Prime (Buy).

MONEY RATES

Table with columns: NEW YORK (Lunchtime), Prime rate, Banker loan rate, Fed funds, No Fed intervention, Treasury Bills, One month, Three month, Six month, One year.

FT LONDON INTERBANK FIXING

Table with columns: LONDON INTERBANK FIXING, 11.00 a.m. April 19, 3 months U.S. dollars, bid 10 1/16 offer 11 1/16, 6 months U.S. dollars, bid 11 1/4 offer 12 1/4.

The fixing rates are the preliminary means, rounded to the nearest sixteenth, of the bid and offer rates for \$10m quoted by the market to five financial banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Citibank, and Paribas.

FINANCIAL FUTURES

LONDON

In the table below London prices are for Thursday, April 19. Prices quoted for Chicago are for April 23.

THREE-MONTH EURO-DOLLAR

Table with columns: June, Sept., Dec., March, June. Rows: Close, High, Low, Prev.

THREE-MONTH STERLING

Table with columns: June, Sept., Dec., March, June. Rows: Close, High, Low, Prev.

20-YEAR 12% NATIONAL GILT

Table with columns: June, Sept., Dec., March, June. Rows: Close, High, Low, Prev.

DEUTSCHE MARKS DM 125,000

Table with columns: June, Sept., Dec., March, June. Rows: Close, High, Low, Prev.

SWISS FRANCES Sfr 125,000

Table with columns: June, Sept., Dec., March, June. Rows: Close, High, Low, Prev.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: LONDON, NEW YORK, BRUSSELS, AMSTERDAM. Rows: Base rates, 7 day interbank, 1 mth interbank, 3 mth interbank, 6 mth interbank, 1 yr interbank, 1 yr Treasury bills, 1 yr Govt bonds, 1 yr Corporate bonds, 1 yr Municipal bonds, 1 yr Commercial paper, 1 yr Bankers' acceptances, 1 yr Money market, 1 yr Swap rates, 1 yr Forward rates, 1 yr Options, 1 yr Futures, 1 yr Derivatives.

WORLD VALUE OF THE POUND

Table with columns: COUNTRY, CURRENCY, VALUE OF £ STERLING. Rows: Afghanistan, Albania, Algeria, Andorra, Angola, Antigua, Argentina, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bermuda, Bhutan, Bolivia, Botswana, Brazil, Brunei, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Cayman Islands, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Cuba, Cyprus, Czechoslovakia, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, Ethiopia, Falkland Islands, Faroe Islands, Fiji, Finland, France, French Polynesia, Gabon, Gambia, Germany, Ghana, Gibraltar, Greece, Greenland, Grenada, Guadeloupe, Guam, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Lithuania, Luxembourg, Macao, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Monaco, Mongolia, Montserrat, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russian Federation, Rwanda, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Switzerland, Taiwan, Tajikistan, Tanzania, Thailand, Timor-Leste, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela, Vietnam, Virgin Islands, Wallis and Futuna, Western Sahara, Yemen, Zambia, Zimbabwe.

U.S. \$150,000,000 Kingdom of Sweden Floating/Fixed Rate Bonds Due 1991. In accordance with the provisions of the Bonds, notice is hereby given that for the three months interest period from 24th April, 1984 to 24th July, 1984 the Bonds will carry an interest rate of 11 3/4% per annum. The relevant interest payment date will be 24th July, 1984. The Coupon amount per U.S. \$5,000 will be U.S. \$141.40. On 16th April, 1984 the Ten Year Weekly Treasury Rate was 12.49 per cent per annum. Morgan Guaranty Trust Company of New York Agent Bank.

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WORLD VALUE OF THE POUND. The table below gives the latest available rate of exchange for the pound against various currencies on the date shown. Rates are quoted in terms of foreign currencies to which they are sold. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are sold. Abbreviations: (A) approximate rate, (B) bank rate, (C) commercial rate, (D) convertible rate, (E) direct quotation available, (F) fixed rate, (G) based on U.S. dollar parity, (H) based on U.S. dollar parity, (I) based on U.S. dollar parity, (J) based on U.S. dollar parity, (K) based on U.S. dollar parity, (L) based on U.S. dollar parity, (M) based on U.S. dollar parity, (N) based on U.S. dollar parity, (O) based on U.S. dollar parity, (P) based on U.S. dollar parity, (Q) based on U.S. dollar parity, (R) based on U.S. dollar parity, (S) based on U.S. dollar parity, (T) based on U.S. dollar parity, (U) based on U.S. dollar parity, (V) based on U.S. dollar parity, (W) based on U.S. dollar parity, (X) based on U.S. dollar parity, (Y) based on U.S. dollar parity, (Z) based on U.S. dollar parity.

Despite the Gulf War, the fighting in Lebanon, divisions among Arab nations and declining oil fortunes, Saudi Arabia still appears to be in a confident mood and is planning optimistically for the future

Saudi Arabia

A face of calm in a troubled region

SAUDI ARABIA appears today as outwardly calm, unruffled and confident about the future as it has at any point during the past decade.

The physical transformation of the Kingdom is still a source of wonder to those who knew the country in the 1960s and before. King Fahd's assumption of power was achieved with the minimum of disruption and as he moves towards completing the second year of his rule the extensive House of Saud looks to be firmly united behind him.

The upsurge of violence in the Middle East, most notably in Lebanon and in the war between Iraq and Iran, appears hardly to have touched Saudi Arabia. A heavy machine gun mounted on the back of a truck at the entrance to the U.S. Embassy in Jeddah is about the only jarring note in a country pleasantly free from overt security

Whether such external equanimity is reflected in the private conversations between leading members of the ruling family must be far more doubtful. Although private doubts are never allowed to emerge and public debate is not encouraged, there are a series of domestic and international issues facing Saudi Arabia which could eventually force uncomfortable choices upon a Government noted for its caution and conservatism.

The most obvious and immediate danger comes from the Gulf War. Saudi Arabia has no choice but to continue its massive financial support for Iraq and hope that war weariness or a change of regime in Tehran may eventually bring Iran to the negotiating table.

The official Foreign Ministry

By Roger Matthews
Middle East Editor

view is that Saudi Arabia desires neither victor nor vanquished, but officials also admit they see no evidence of Iran modifying its demands or lessening its attempts to export its revolution.

Saudi officials believe that without the Kingdom's aid—now thought to have reached over \$25bn—the Iraqi regime may have been toppled many months ago. Some officials also believe that it is a "miracle" that the war has been contained within its present geographical limits.

Earlier this year, Saudi Arabia was persuaded that Iraqi attacks on Iranian shipping would lead to an attempt

to close the Strait of Hormuz and quickly established its own floating reserve of crude oil sufficient to cover about ten days' exports—the period of time that the U.S. had said it would take to guarantee the resumption of shipping movements through the Strait.

The Saudi air force and air defences were simultaneously alerted for a possible sneak Iranian attack across the Gulf. Despite massive numbers of Iranian troops still poised for yet another offensive against Iraq, Saudi officials now appear less concerned about the threat to shut the Strait.

"We believe Iran will only attempt such action if all its own oil exports are totally closed off and that is unlikely to happen," commented an official.

However, such a possibility still figures largely in the calculations of Shaikh Ahmed Zaki Yamani, Saudi Arabia's long-serving Minister of Oil, as he continues to chart the recovery of the Organisation of Petroleum Exporting Countries from the near disaster of early 1983 when prices looked as if they were about to be forced into a downward spiral.

He believes that an extended closure of the Strait could threaten the present Opec strategy by again causing prices to rise sharply and would encourage renewed efforts by the industrialised countries to limit energy consumption. But provided that danger can be avoided, Shaikh Yamani is anticipating a steady increase in oil demand, particularly after 1987.

His calculations, which form an important element in Saudi Arabia's domestic budget strategy, are that the combination of western economic recovery, still lower oil prices in real terms, and a decline in output by several countries including Britain, will provide the Kingdom with the opportunity to sustain an output of 6m barrels a day or more within about three years.

Paradoxically, a swift end to the Gulf war would also threaten Shaikh Yamani's assumptions by releasing an additional export capacity from these two countries of 2mb/d-3mb/d although the effects on Saudi Arabia as the Opec swing producer would be partially offset by the ending of its financial support for Iraq.

Faced by so many imponderables, King Fahd appears to have opted for an optimistic

assessment in drawing up a budget strategy and to utilise the country's external reserves in order to sustain a moderate rate of growth. In the budget announced at the beginning of this month, Saudi Arabia is planning expenditure of \$75bn, an increase of \$12bn over the actual spending figure for the previous 12 months.

Revenues have been also assessed rather optimistically at \$82bn which, according to some independent calculations, would require an increase of nearly 1m b/d in oil production beyond the present 4.5m b/d. Alternatively it could suggest a willingness to draw down the reserves by more than \$13bn envisaged in the budget.

Healthy reserves

Officials at the Saudi Arabian Monetary Agency are said to anticipate a possible decline in reserves during the present financial year of up to \$20bn. Although this would leave the Kingdom with still very healthy reserves of about \$110bn, it is not a trend that Ministers would wish to continue for much longer without more concrete signs of sustained increase in the world demand for oil.

The authorities are seeking in part to compensate for the relative slackening of state-funded economic activity by persuading the private sector to take greater responsibility for the next stage of the Kingdom's growth which is designed to encourage the creation of a modest industrial base.

Continued on next page

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Still in good shape despite the decline in national income

Foreign Policy Page 2
Arab unity is the main aim

Finance Pages 8 and 9
Calm appearance masks fundamental changes in banking; and the growing need for a sophisticated financial system



King Fahd: entering third year of rule

Industry

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The Jeddah Water tower. See page 7 for article on agriculture and water supply

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Pilgrims in Mecca carrying umbrellas to keep off the sun. See page 12 for guide to Islam

Editorial production of this survey by Mike Smith. Design: Philip Hunt.

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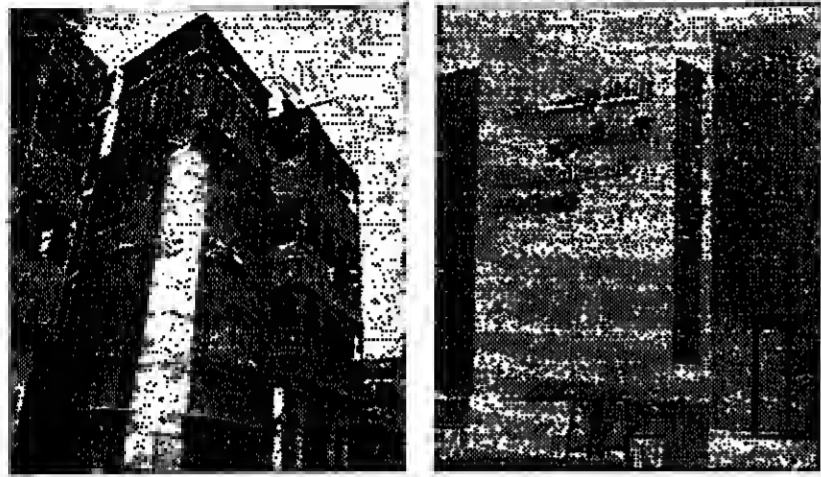
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SAUDI ARABIA 2

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Left: Crown Prince Abdullah meets British Prime Minister Margaret Thatcher in Downing Street earlier this year on an official state visit. Above: a Boeing Awacs. The U.S. operates four Awacs for the Saudis and Boeing expects to deliver five more beginning in 1986

Arab consensus is main external aim

SAUDI ARABIA has a capacity, unique in the Middle East, for pursuing close and friendly relations with governments which are following policies directly opposed to those of the Kingdom.

Conversations with senior officials in Riyadh or Jeddah are invariably punctuated by the assertion that Saudi Arabia wishes to be on good terms with all countries because this permits dialogue and the opportunity for persuasion while diminishing the risk of confrontation. But it also provokes accusations of weakness, indecision and vacillation, especially at times, such as now, when the League of Arab States is leaderless and divided.

Such accusations stem at least partly from a misunderstanding of Saudi intentions. Under King Fahd, Saudi Arabia appears to regard the achievement of Arab consensus to be the primary requirement of any approach towards solving the problems of the region. Its own modest policy initiatives have been designed around its assessment of the minimum level of agreement possible among the Arab states. Suggestions from King Hussein of Jordan that decisions in the Arab League should be taken by the majority and little response in Saudi Arabia, despite the fact that such a change would work in favour of the policies it espouses.

Saudi officials accept that the consequences of such a policy enable individual countries to veto the will of the majority. This has been all too obvious in the past few months when

Saudi Arabia wishes to be on good terms with all its neighbours. This diminishes the risk of confrontation but provokes accusations of weakness, indecision and vacillation

Syria has continued to deny the will of the Arab majority over the Gulf war and has also been attempting to bring the Palestine Liberation Organisation under its exclusive control. Syria's continuing support for Iran in the war with Iraq dismisses Saudi officials but has not brought any change in the relationship between Riyadh and Damascus. For over a year, Crown Prince Abdullah of Saudi Arabia has been seeking to persuade Syria to reopen the Iraqi oil pipeline to the Mediterranean without success. The cost of the closure is borne directly by the Saudis, who since the early months of the war have been Iraq's most important financial backers.

Current Saudi aid to Iraq, in direct cash payments and in oil sold on Iraq's behalf, is estimated to be running at about \$700-\$800 million a year. The reopening of the trans-Syria pipeline, with a maximum capacity of about 1.4 million barrels of oil per day, would ease the Saudi financial burden substantially. Yet the only way the Saudis refuse to contemplate such action but expect, and continue to receive,

in the region of \$750 million a year in payments from Saudi Arabia under the terms of the 1978 Arab summit agreements. This money was provided initially to sustain Syria's efforts on behalf of the Palestinian people following Egypt's withdrawal from Arab confrontation with Israel. Syria may argue with some justification that during the past year it has been the only Arab country successfully to deny Israel's ambitions in Lebanon, but Saudi Arabia has to accept the price of its annual contribution to Syria is being used to frustrate its desire to bring the Gulf war to a negotiated end and to bury the prospects for building on President Reagan's proposals for progress on the Palestinian issue.

Supremacy battle There were few more distressing sights for moderate Arab countries last autumn than the factions of the PLO battling for supremacy in northern Lebanon. The role of Syria in providing material support for the rebels attempting to overthrow the leadership

of Mr Yasser Arafat again directly opposed Saudi policy, but the government in Riyadh predictably opted for conciliation and avoided any public stance on the issue.

"Syria is an extremely important country in the region and while we may not always agree totally on all aspects of policy we do have an obligation to that country and we shall continue to discharge that obligation," a Saudi official said earlier this month. "It is a matter of duty to the cause of the Arab nation and everything we do, all actions that we take, have to be seen from that viewpoint."

"Our aim is primarily solidarity amongst the Arab countries which we consider absolutely vital. Our destiny depends on us being able to stand together again one day, and we will do nothing to harm such a prospect."

Saudi Arabia's ability to demonstrate its consistent support for pan-Arab ideals helps to counter the criticism that is levelled against its own very close relationship with the U.S. Officials in Saudi Arabia describe bilateral relations with the U.S. as "very good" but admit to "differences" over the degree of American backing for Israel.

Saudi officials claim that these "differences" are put forcefully to the U.S., although members of the Administration are more often than not pleasantly surprised at the cordiality of talks in Riyadh or Washington.

The diminution of Saudi Arabia's importance as a world oil supplier during the past three years and its fear of militant Iran have combined to increase the ultimate Saudi dependence on the U.S. Although brave words are spoken about the desire by Arab Gulf countries to avoid any superpower involvement in the region, it was to the U.S. that Saudi Arabia turned earlier this year when it began to fear that Iran might succeed in its repeated threat to attempt the closure of the Strait of Hormuz.

The U.S., along with Britain and France, was asked by Saudi

Arabia what it intended to do if the Strait was shut. The response apparently gratified the Saudis, even though they had not made any specific request.

Saudi officials now say with some confidence that they would not expect the Strait to be closed to shipping for more than 10 days, while not themselves advocating any military response to Iranian actions.

The ruling family appears to believe that the avoidance of anything but the most generalised public utterances combined with more active behind the scenes diplomacy can pay sufficient dividends and particularly quote Saudi Arabia's efforts to defuse successive crises in Lebanon.

Saudi diplomats are pleased at the containment of the fighting in Lebanon and privately are proud of the skill demonstrated in escaping largely undamaged from the confrontation between the U.S. and Syria.

"We value our friendship with both countries and we hope that both will come to see that the way forward is through negotiation and an acceptance of the rights of the people in the area," commented a Saudi official.

Frustrating

To some countries, looking for more active support, such statements are dismissed as meaningless platitudes. One senior Arab diplomat in Jeddah claimed that his dealings with Saudi Arabia had been the single most frustrating experience in a long international career.

"I am always being told what they think I would like to hear, but never is there any sense of urgency, or any indication that they are firmly behind a proposed course of action. The two major issues of the moment, Palestine and the Gulf war, are never going to be solved by waiting for a consensus or for something better to turn up. Solutions need imaginative and forceful action and sadly there is very little evidence Saudi Arabia can ever publicly support such initiatives."

But it is also a mark of Arab deference to Saudi Arabia that such comments are not made openly. At a time of serious divisions within the Arab world, emphasised by the repeated postponements of the annual summit meeting, more countries are perhaps coming to the conclusion that public airing of grievances seldom produces helpful results.

Roger Matthews

Success in manufacturing

CONTINUED FROM PREVIOUS PAGE

There are already several examples of successful small-scale manufacturing but the hopes expressed for the private sector in the Fourth Development Plan are unlikely to be realised unless Saudi entrepreneurs can be persuaded to accept more modest definitions of profitability.

The latest success story in the transformation of the Kingdom, and one of which King Fahd is particularly proud, helps to illustrate the point. This year, Saudi Arabia is certain to become self-sufficient in wheat and may even enjoy a small exportable surplus.

The fact that the wheat will have cost six to seven times more a bushel to produce than the present international price may make economic nonsense of the exercise, but it has given Saudi Arabia's rulers a sense of strategic independence and political achievement.

The astute Saudi businessmen who moved into wheat production and took full advantage

of all the financial incentives available from the Government have become significantly wealthier in a very brief period. One even boasts that he has recovered his entire capital expenditure in the first 12 months of operation.

In the Kingdom's relatively straightened economic circumstances it cannot afford to try many more successes of this nature and somehow must try to lower public expectations. However, this is a path down which the royal family is understandably reluctant to walk.

Courage

For the past ten years wealth has been spread, not always very equitably but certainly very generally, through the provision of many services free of all charge. In turn, this has prompted excess, particularly in the use of water and electricity, which the government would now like to curb.

A first, tentative step towards the reduction of subsidies was taken in the April budget with petrol prices being increased by 70 per cent. Petrol remains extraordinarily cheap by Western European standards, but within a fortnight the Government felt obliged to issue a warning that it would not tolerate price rises being passed on to the consumer in other forms.

Public reaction to the petrol increases will largely decide how courageous the government will be in tackling other similar issues. Although the budget puts the cost of subsidisation at just over \$3bn in the new financial year, economists have been warning that this figure could mount swiftly as a proportion of the budget if the population continues growing at its present estimated level of nearly three per cent per annum.

According to these estimates, Saudi Arabia's indigenous population could reach 14 million by the end of the century, leading weight to the need for job creation policies and for an education programme tailored to the desire to reduce the expatriate presence in the Kingdom.

Saudi Arabia's heavy dependence on expatriates at all levels of the economy is a constant source of irritation and concern to the country's religious and political establishment. Their presence and the alien cultures which accompany them are

viewed far more as a threat to the social and political fabric of the country than as providing an opportunity for enrichment or learning.

No form of religious activity other than Islam is permitted in the Kingdom and the authorities last year expelled several devout Christians for holding Bible classes in their own homes. Religious leaders have recently been busy warning Saudis planning to travel abroad this summer of the moral dangers which will threaten them and exhorting them to stay in the Kingdom where they will be safe from temptation.

Whether this presages a more determined attempt by the authorities to ensure that there is no deviation from the strict tenets of Islam is still unclear, but it also probably reflects the impact that Muslim fundamentalists are having elsewhere in the Middle East.

As the guardian of the most holy places of Islam, Saudi Arabia is undoubtedly sensitive to accusations that it was less devout than others. Iranian propaganda broadcasts beamed across the Gulf invariably concentrate on the alleged excesses of members of the House of Saud and gap which is said to exist between their private behaviour and their public utterances.

Certainly the present climate of external threats and economic uncertainty at home is unlikely to encourage more broadly-based methods of popular consultation which have long been promised by King Fahd. Little has been heard recently about his suggestion for a National Consultative Council designed to extend the channels of communication between the people and the Government, a need which grows greater as the bureaucracy becomes more complex and demands on the time of the country's rulers ever greater.

The authority and legitimacy of the House of Saud have long rested on its capacity to provide security and prosperity for the people of the Kingdom. There is no indication that popular expectations have so far been disappointed. But should events demand difficult decisions from the country's rulers then they could yet regret the lack of a more efficient system for sustaining a national consensus on which they claim all present achievements have been built.

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SAUDI ARABIA 3

The Government has been forced to draw substantially on its reserves but the real income of most Saudis remains unscathed

Economy 'still in good shape' despite decline in GNP

IN THE eight years between 1973 and 1981 Saudi Arabia's economy expanded at a rate unprecedented in the history of any major nation-state. Fuelled by massive and increasing income flows from oil exports, quantum jumps took place in foreign exchange earnings, GNP, per capita wealth and import levels. Equally large increases occurred in expenditure on big capital projects in the social field and on general welfare.

The result was a transformation of the economy from near-poverty level to super-affluence. By 1981, Saudi per capita GNP had increased 20-fold to reach \$30,000 a year, the highest of any major country in the world. Saudi export earnings had grown larger than the aggregate export earnings of either the African or South American continents, and were exceeded only by three powers, the U.S., Japan and Germany.

On the expenditure side, domestic commitments multiplied as dozens of mega projects were undertaken to transform the Kingdom's communications, transportation, educational, health delivery and public utility systems to the highest world standards. Everything was done in a hurry with little in the way of cost constraints.

Contraction

After more than a decade of expanding oil income and massive foreign exchange surpluses, the decline in world demand for oil, and the resultant erosion of oil prices, led, in 1982, to the first significant contraction in oil income since the early 1970s. The contraction continues today.

Until recently, the main concerns of "Saudi watchers" were the absorption capacity of the domestic Saudi economy and

the ability of the world's financial institutions to recycle Saudi Arabia's "excess" funds. These have now been replaced by questions relating to the ability of the royal family to govern effectively with reduced income flows and massive current account deficits.

The Government's reaction to its new problems are designed to have a minimal impact on the domestic private sector economy and on individual Saudi real incomes.

A \$10bn drawdown on the Kingdom's huge \$140bn reserves during the last fiscal year was recently reported by the Ministry of Finance. A further \$13bn drawdown has been projected for the current fiscal year. Coincidentally, the Government has not made any commitments to new mega-projects in the last two budgets; and the latest Aramco Index of Construction Activity indicates

that expenditure on projects under way are steadily decreasing.

The Government is also becoming more cost-conscious in awarding construction and service contracts. A recent example of this new attitude was the cancellation of the large Whitaker Hospital Administration contract shortly after an extension to an existing long term contract had been negotiated.

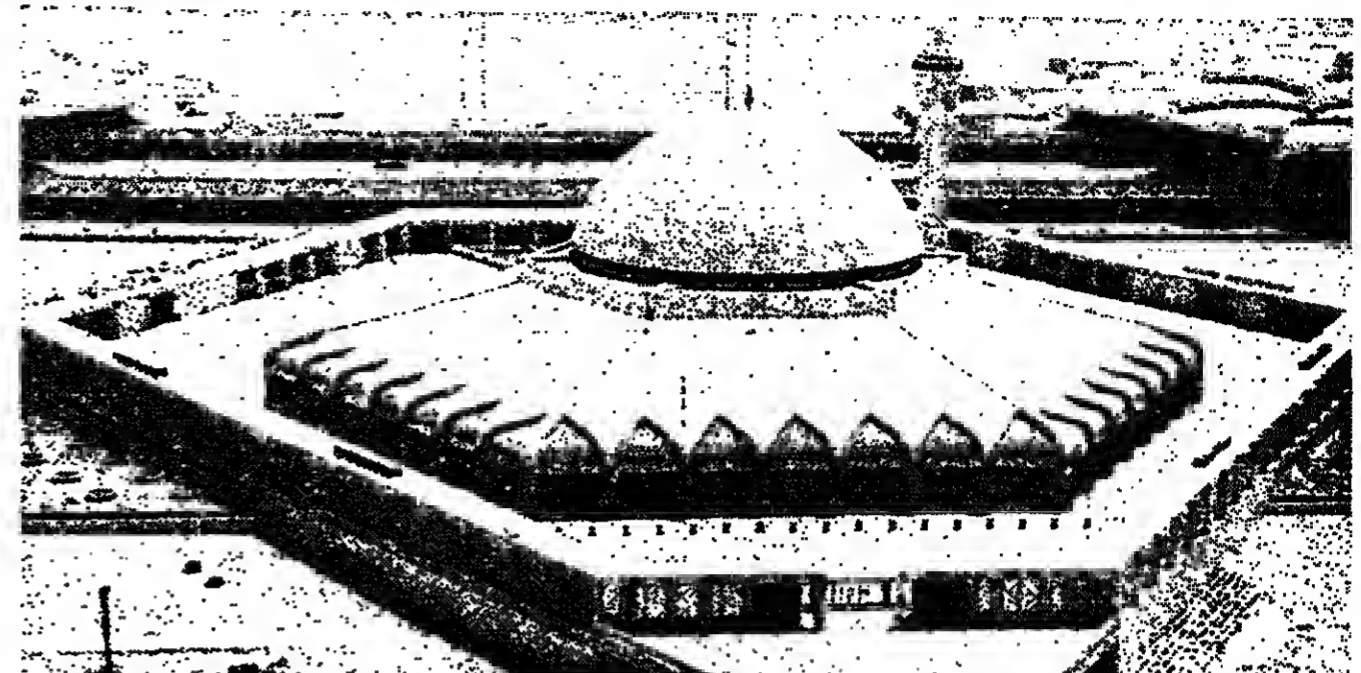
The Government exercised a termination clause and placed the contract out for competitive bidding in a significant shift of policy from past practices that permitted contract extensions to be negotiated on a single source basis with the original holders of the contracts.

Much of the necessary or desired infrastructure to transform Saudi Arabia into a modern nation-state—with expanding economic opportunities, better provision of health care, education and welfare—has been built or put in place. The absence of new mega project commitments will thus have little direct impact on most Saudis.

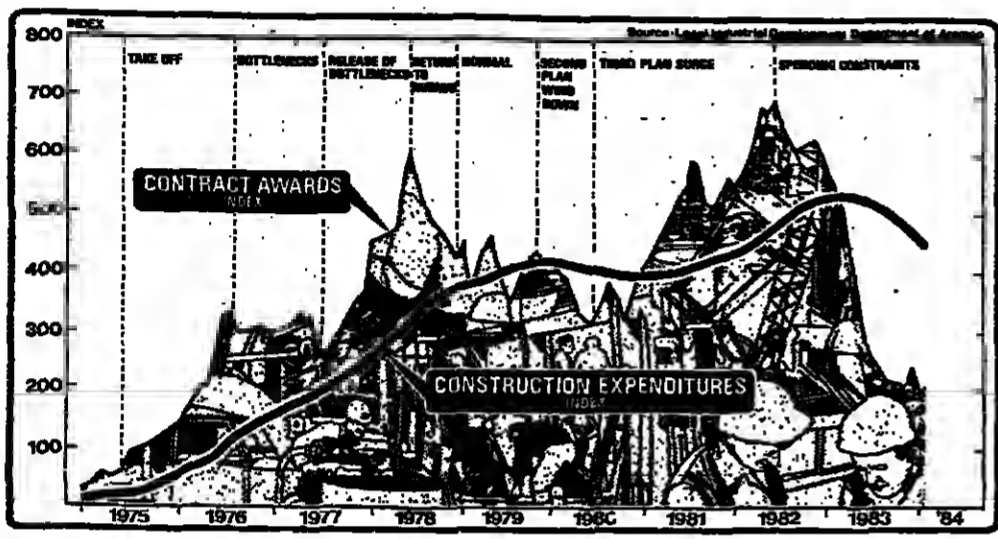
More directly affected will be the foreign contractors, particularly the South Koreans, who have dominated the large construction projects since the mid-1970s; the labour suppliers and the labourers from the Philippines, Pakistan and other Asian countries who have been the main sources of manpower for such projects; and the exporters of industrial goods and technology, including a number of West European countries who have found rich and profitable markets in Saudi Arabia for their exports.

Although the real income of most Saudis is unlikely to be placed in jeopardy by declining oil prices and a lower level of exports, the pattern of the Kingdom's future growth, and in particular plans for major structural transformation based on downstream diversification, will face their initial challenge this year.

The challenge will be centred on the economic viability of the Kingdom's new export refineries and petrochemical plants now coming into production. Conceived and started in the years when projected demand for oil and gas led many observers to predict the near exhaustion of world reserves by the beginning of the next century in most



The Mosque at King Khalid Airport. The airport, opened last year, was the latest billion dollar civil project to be completed in Saudi Arabia.



The slowdown in contracting

THE CONTRACTS awards index is based on 13 month moving average. This method is used to smooth out monthly fluctuations to some degree and make the index show medium term movements in contracts awards.

The index incorporates the value of all published contracts signed by the Saudi Government, Aramco and the private sector.

Like all indices it has cer-

tain built-in biases:

1—It is biased towards coverage of very large contracts, because small contracts, being less newsworthy, are not so regularly published.

2—It is biased towards government contracts—Aramco and the private sector do not systematically announce their awards. (Aramco accounted for 15 per cent of the value of contracts monitored in 1977 and 3 per cent in 1982.)

3—The percentage of contract awards covered is declining. The Government has been making a concerted effort to break down large projects to a contract size range which can be handled by Saudi contractors, and these smaller contracts are less likely to be reported. Nonetheless, there can be little doubt that the chart above presents a broadly accurate picture.

areas outside the Arabian peninsula, and at a time when demand for petrochemicals and most petroleum products was expected to continue to grow at high rates, the projects are now being completed under far different circumstances.

Oil and gas are in abundant supply in most parts of the world and only massive cutbacks in production have prevented more dramatic price declines than have occurred. At the same time, demand for refined products and petrochemicals is just recovering from an unprecedented reduction in world consumption. Despite the large-scale scrapping or retiring of existing plants, most nations with refining and petrochemical industries remain with large surplus capacity and low levels of operating utilisation.

Saudi officials are convinced that their low cost feedstocks, state-of-the-art technology, and economies-of-scale in their plants, which will be among the largest in the world, will enable them to be highly price competitive. They also point out that projected Saudi Arabian production represents only a small percentage addition to the world's capacity of both refined

products and petrochemicals. While this is true, Saudi Arabian export refineries, when they are completed, will be in a position to produce 20 per cent of the internationally traded petroleum products (and with their fellow GCC exporters, nearly 40 per cent).

Sensible

The Saudi Government has long argued that it is more sensible to manufacture petrochemicals at the source of low-cost basic feedstocks in Saudi Arabia than to produce such products in a country like Japan which must import its feedstocks. Japan is the Kingdom's most important trading partner and has recently heartened the Saudi Government with the announcement that it will reduce its petrochemical production capacity by 36 per cent by 1985.

However, capacity cutbacks in Japan are being made up by new plant construction in other areas. Singapore, for example, is just bringing on stream a petrochemical facility which represents the single largest investment in the nation's history. The plant which will

produce ethylene derivatives is a joint partnership between the Singapore Government, Singapore private interests, the Japanese Government (through the Overseas Economic Cooperation Fund) and a consortium of Japanese companies headed by Sumitomo Chemical Company. The Singapore project is expected to lose money for the first two years and perhaps more, but the Singapore Government is committed to support it despite the cost. Clearly, it is this level of competition involving sovereign economic clout which will be the most difficult to overcome in the future.

The underlying strength of the Saudi economy and the Government's capacity to adapt to changing circumstances was amply demonstrated in the recent budget speech of King Fahd.

Reviewing the past fiscal year, the King pointed out that the economy was in good shape, although the GNP had declined and the Government had drawn down its reserves by \$10bn to make up the gap between expenditures of \$63bn and income of \$52bn.

In this year the Government was budgeting for \$75bn of expenditures, anticipating \$63bn of revenues, almost exclusively from oil, and drawing down reserves by another \$12bn. No other nation in the world can look at a rundown of \$22bn so casually; and few have the financial ability to do so or the political ability to survive such a move if they did.

Tom McHale

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SAUDI ARABIA 4

Richard Johns examines the Saudi role of swing producer

Oil output rate defended

OVER the past year Saudi Arabia has remained true to one of its rooted principles: its refusal to allow other members of the Organisation of Petroleum Exporting Countries to have any say over the level of its oil production. At nearly 5.5m barrels a day its average output from April to December last year was significantly higher than the 5m b/d which other members accorded to it under the system of quotas adopted in March 1983.

In practice—a fact which is often ignored—Saudi Arabia has never subscribed to that aspect of the pact drawn up to defend the \$29 per barrel reference price set following the \$6 reduction. It has, in effect, performed the role of "swing producer" and as such has been the biggest single contributor to Opec output over and above the 17.5m b/d ceiling.

As the surge in Saudi output and the activity of its newly created marketing arm Norbec became fully apparent last year, there was speculation that the Kingdom was trying to force a further reduction. That would have been in line with its intense preoccupation with ensuring that producers and consumers alike were not left in a state of uncertainty. Saudi Arabia with its conservatively estimated reserves of 165.5bn barrels (nearly a quarter of the estimated world total) do not underestimate the long-term market for oil.

Iraqi comparison

When last November Opec's market monitoring committee called upon Saudi Arabia to account for its high rate of output the somewhat unsatisfactory response from Riyadh was that the Kingdom could not perform its role as swing producer if other members did not observe their quotas and price commitments.

In addition, the Saudi telegraph pointed to the oil being produced on behalf of Iraq—some 300,000 b/d since last spring—to compensate for the constraints on its exports because of the Gulf war—and crude produced for storage rather than immediate sale so that seasonal demand for natural gas could be met.

Apart from that reference to gas requirements, little light has been thrown officially on the reasons for placing over 5m barrels of oil in chartered tankers in an operation which began last November. At the outset of it, the word was put out that the oil was being placed in the vessels because of the temporary shutdown of two oil fields, Zuluf and Marjan, while they were being tied into the Master Gas System (MGS) (which is in the second phase of its expansion).

Obviously and not very convincingly Riyadh has sought to give the impression that the floating stockpile is not related to the possibility of a supply crisis resulting from the Gulf conflict. The market has little doubt that it has been built up to guard against the closure of the Strait of Hormuz. In the meantime, having run at nearly 6m b/d in the second half of 1983 Saudi output of crude declined to less than 4.5m b/d in the first quarter of this year.

While insisting on its role as Opec's "swing producer," Saudi Arabia also justified its high rate of output to other members by insisting that it was needed to produce the minimal amount of associated gas required to fuel its power stations and desalination plants, on the one hand, and hydrocarbon-based industries, on the other.

As happens, the Eastern Province did suffer a serious failure of electricity supplies in July, a month of peak consumption, last year. The evidence is, however, that it was caused by a technical breakdown. The installation of twin and triple fuel capacity for power generation and desalination has gone far in the Kingdom. Moreover, there were no difficulties earlier in the year when output was down to little more than 5m b/d.

The actual volume of gas produced depends on the "mix" of Saudi crudes with the lighter varieties yielding far more. Whatever the obfuscations over output recently, the general understanding was that a rate of no more than 5m b/d would be sufficient even when all the big gas-consuming industries come on stream in 1985-86 with the proviso that there could be a shortfall of millions.

That and also the possibility of a complete disruption of oil production prompted three years ago the serious search for unassociated gas in the deep Permian Khuff zone located in the oil-bearing zones of the giant Ghawar field.

Exploration and development have progressed well. Most of the wells are expected to be completed by the end of the summer and the drilling programme should be completed by 1985 giving a capacity of 1 bn cubic feet per day of non-associated gas. According to some authoritative reports, when conversion of utilities and industrial plants to other firing systems is complete, the volume in 1986 should be sufficient to provide for the Kingdom's gas needs even if there was no oil production.

Second phase

The second phase of the MGS was completed in 1982 at a cost of \$10 bn, with a capacity to process gas associated with output of 7.5m b/d from the Ghawar, Abqaiq, Burgan, Dammam, and Harnayyah fields producing rather more than 3bn cuft of sour gas.

From this the system can produce 375m cuft of ethane as feedstock for petrochemical projects; 2bn cuft of methane for the fertilizer and methanol plants as well as fuel for basic industries, power generation and water desalination; 350,000 b/d of natural gas liquids (NGL) and 3,700 tonnes per day of sulphur. It has consolidated Saudi Arabia's position as the world's leading exporter of Liquid Petroleum Gas.

Work is continuing on the second phase, MGS II, which involves tying in northern offshore fields and is scheduled for completion next year. Rather than raising overall capacity MGS II is designed primarily to give greater flexibility of supply rather than raise overall capacity of the network centred on the processing plants at Uthmaniyah and Shuqra.

The other vital development in the oil and gas sector is the commencement of Saudi Arabia's exports of refined products over the next few years as three joint ventures

between Petrolin, the state oil corporation, and foreign partners start operations. First of these will be the 250,000 b/d Petrolin-Mobil refinery at Yanbu, which is scheduled to come on stream in August. The 250,000 b/d Petrolin-Shell facility at Jubail is set to be commissioned in December. The 325,000 b/d plant being constructed at Raligh on the Red Sea in partnership with the Greek concern Petrolin should be complete by July 1985. The three projects will more or less triple the Kingdom's export capacity.

Currently capacity is concentrated in Aramco's export-oriented refinery which last year operated at 97.5 per cent of its 450,000 b/d capacity. It is undergoing a modernisation at a cost of \$85m.

Petrolin is well advanced in evolving its strategy for marketing its 50 per cent share of the output. It is evidently planning contracts related to open market sales quoted daily in Platt's Oilgram.

The state oil corporation, experimented with a system whereby under one form of agreement, with phase-out options, prices would be based on "government established rates" but the preference of prospective customers proved to be overwhelming in favour of a market-orientated approach.

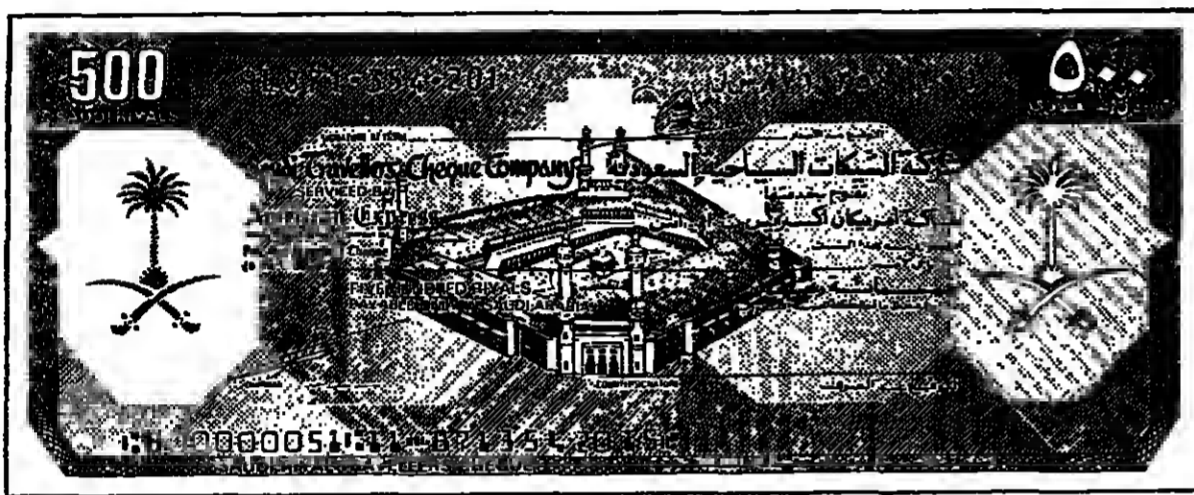
A hundred or so companies are reported to have shown interest. The foreign partners it seems, will lift their share on the same basis and also will profit on their half share on the return on the investment which, on a discounted cash flow basis, should be over 15 per cent.

Recently Sheikh Ahmed Zaki Yamani, Minister of Oil, indicated that the Government was planning to reorganise the oil and gas industry by the creation of a state corporation covering all aspects of it on the model of the Kuwait Petroleum Corporation. And having abandoned about 10 years ago its ambition (first announced in 1972) to move into refining and marketing abroad Saudi Arabia has now regained it. But it has as yet made no discernible move to acquire assets overseas.

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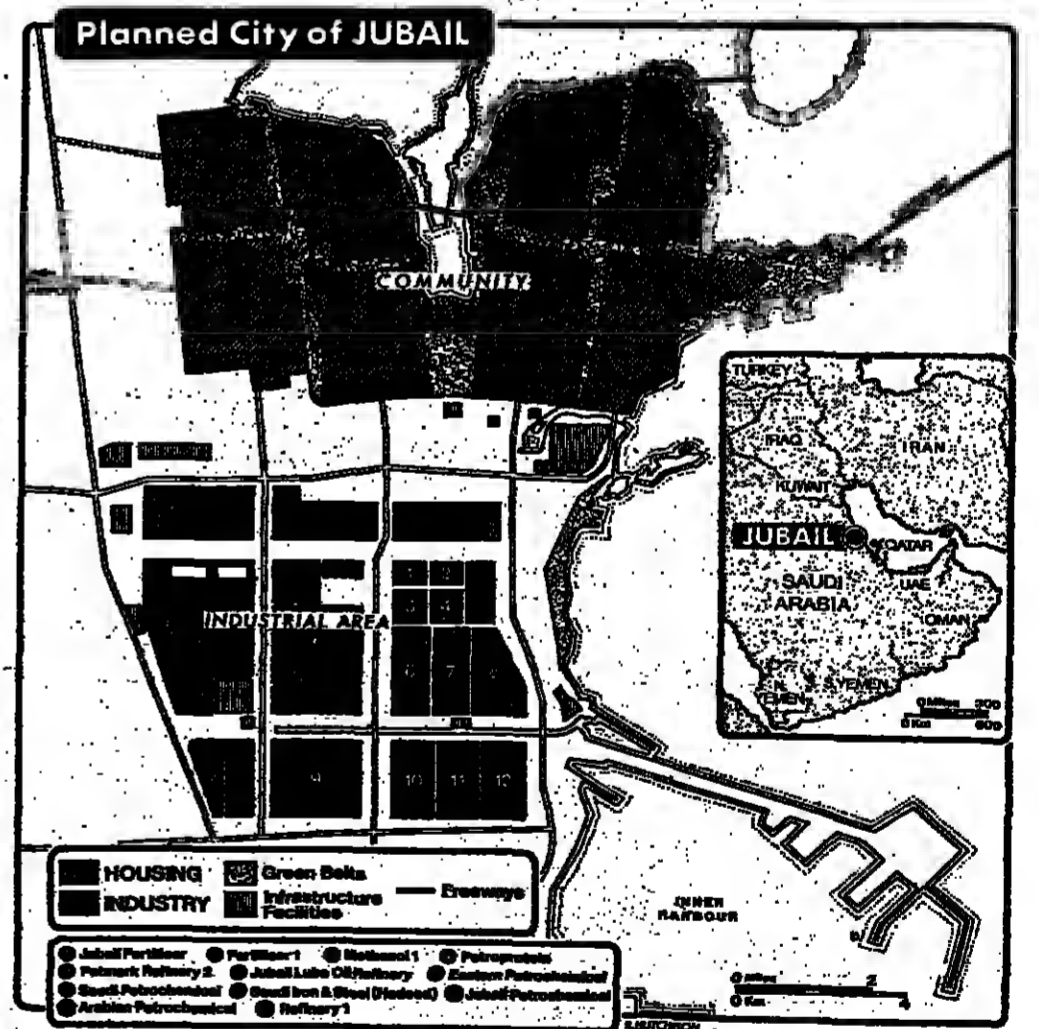
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Carla Rapoport reports on industrial development in a new town

Jubail, the home of new industries



"TEN OR EVEN five years ago, talk of industrialisation in the Kingdom of Saudi Arabia was passionate talk, out of science fiction," Dr Mahsum Bahjat Jalal, a prominent Saudi economist and director of both Sabic and Saudi International Bank, said.

Today, however, the seeds of industrialisation have been planted and Dr Jalal is among those nurturing their growth.

The most visible signs of industrial development are springing up in Jubail, a new town just an hour's drive up the Gulf from Dammam.

Here, next to Sabic's new petrochemical plants, new communities with housing and parks and beaches are being built to attract workers and businesses to the area. The aim is to have a new local industry turning Sabic's petrochemicals into industrial and domestic plastics and a new city of some 350,000 people by 2000.

So far, Saudi businessmen are moving slowly on committing themselves to Jubail, waiting for the actual start-up for most of the plants scheduled for next year. But a major boost to those considering the expansion of their businesses arrived earlier this year in the form of the National Industrialisation Company (NIC).

The NIC, with an initial equity base of SR 60m, will promote joint ventures between local businesses and overseas partners to boost the local manufacture of a wide variety of goods, including motor vehicles, drugs, capital goods and industrial and domestic plastics. It aims to attract capital investments worth \$2m over the next 15 years.

The chairman of NIC is Dr Jalal, who recently announced that the equity capital for the group had been almost entirely subscribed by Saudi businessmen and banks.

In the meantime, Sheikh Hamed Al-Zamil, president of Zamil Brothers, a major privately-held Saudi company, said in a recent interview that his company is considering six or seven projects for the Jubail site, some with joint venture partners, some without. Two are already under way, he said, and will aim to supply the electrical sector.

"We don't want to make everything from pens to rockets," said Sheikh Al-Zamil. "We should make things of good quality here and buy them for their quality, not just because they are made in Saudi Arabia. We have to compete with imports."

Fertile ground

Mr Saleh Toahmi, an investor in NIC and head of Riyadh's Chamber of Commerce, says that there is fertile ground for this kind of development in Saudi Arabia as the chamber's membership has grown fivefold in the past five years, to 30,000 members.

He says that the NIC is already talking to Mitsubishi of Japan about the local production of Japanese trucks. It has also helped to establish a pharmaceutical company with an initial capital of SR 300m to produce off-patent drugs.

Mr Abdullah A. Abdulkader, general manager of the new pharmaceutical company, points out that Saudi Arabia imports about \$350m a year in drugs. "The waste and misuse is stag-

gering because health care here is free," he says.

The company will be building a plant in Gassim in the central province to make a variety of generic drugs, but it is also thinking of building plants to make medical equipment and glassware.

He holds up a small glass plant of saline solution. "This comes from Germany, we spend 1 riyal on the water and salt in the glass and 85 riyal on the profit come to our businessmen," says Mr Abdulkader. Like many others in NIC and Sabic, Mr Abdulkader was educated in the U.S. and holds degrees in business administration.

"This project has been sitting around for three years, but it was being administered by doctors. Doctors are not the best administrators, he says.

Another challenge facing the nation's new industrialists is alone. "I dislike the way we do business, everyone as an individual," says Sheikh Al-Zamil. "We should co-operate and make big companies. There are around 200,000 small com-

panies in Saudi Arabia. Why can't a number get together and become General Motors?"

"We will, we are thinking of it. At our company we're working on this. I'm advising the others to do the same so we can be big. Small is beautiful will come to Saudi Arabia, but not for a while," he says.

These efforts are likely to be encouraged by the Kingdom's Fourth Development Plan. Under the proposed plan, there will be a number of initiatives aimed at the private sector, which includes allowing the private sector to operate, manage and maintain many of the utilities operated by the Government, establishing commercial courts, notary public offices and a structured system for the exchange of company shares.

According to ministers in Riyadh, local banks are already organising companies to deal with company registration and the issuing of shares. At present, only about 40 companies have publicly traded shares in Saudi Arabia but this figure is expected to go up rapidly as industrialisation takes hold.

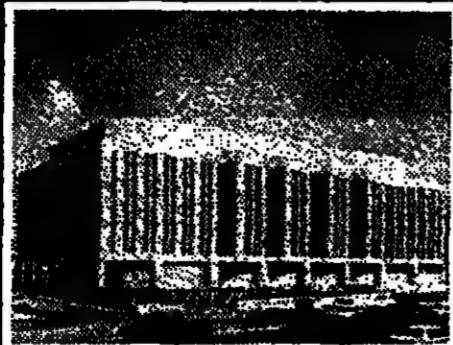
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Saudi Methanol Company's plant, one of the many projects scheduled to come on stream next year. It is jointly owned by Sabic and a Japanese consortium headed by Mitsubishi

All eyes on the petrochemicals launch

SAUDI ARABIA will be facing some of the world's toughest business challenges from day one of its entry into the ranks of the world's leading petrochemical producers.

The projects listed in the table should all be on stream by the end of next year. They aim to turn Saudi Arabia's natural gas, previously flared as a waste-product, into a wide range of chemicals and plastics, equivalent to around 5 to 7 per cent of the world's demand for petrochemicals.

For the world's chemical industry, the arrival of a new competitor could not have come at a worse time. In Europe, in particular, over-capacity is still putting pressure on profits and prices. Even in the U.S., where feedstocks are cheaper and overcapacity less of a problem, major petrochemical producers are still not producing a satisfactory return on capital.

The result of the industry's weakness has been talk of protectionist tariffs both in the EEC and the U.S. The resolution of these talks will be clearer over the next few months, but already the Saudi Basic Industries Corporation, Sabic, the government-controlled agency which is developing the petrochemical projects, is readying a spirited defence.

Sheikh Abdulaziz Al-Zamil, chairman of Sabic and Saudi Arabia's Minister for Industry, says: "When a new plant goes up in Houston or England, everyone celebrates. These plants are on-time and are creating a threat to the world. We are importing their cars, their machines, the only thing we have here to develop are industries based on gas."

"In order (for us) to continue importing these things, they should buy our products," Sheikh Abdulaziz Al-Zamil has even argued that Saudi Arabia should not have to pay a 12 to 14 per cent tariff on its imports to Europe, as the Kingdom is a developing country. However, even those countries and companies committed to fighting protectionism have balked at the idea of reducing tariffs.

Preference plea

None the less, Saudi Arabia has recently applied for duty free access to the EEC under the community's Generalised Scheme of Preferences (GSP) which imposes quotas for imports of specialised materials from developing countries. This would mean that Saudi exports would enter free of duty, but only up to the relevant quota or ceiling.

If this application is accepted, the volume of duty-free imports into the EEC is expected to be quite small. According to Chemical Insight, the London-based chemical newsletter, duty-free imports of linear low density polyethylene would amount to little more than 1 per cent of total Saudi output.

In the U.S., the debate over tariffs on Saudi imports is beginning to hot up. U.S. congressmen from petroleum producing states are saying that the free market in this case isn't necessarily the fair market.

"The issue here is subsidies, not protectionism," says representative Gillis Long, a Louisiana Democrat.

"The subsidies we are dealing with couldn't be more obvious. Some foreign countries are essentially giving away the oil and gas that are used to produce petrochemicals."

These subsidies refer to the rock-bottom price of 50 cents per million BTU which the Saudi Government is charging the new petrochemical producers for their feedstock. This price compares with a West European average of \$4.50 to \$5 per million BTU and with a U.S. average of \$3.30 to \$3.50.

So far, the U.S. industry spokesmen have been less

aggressive than the politicians. Mr James O'Connor, an executive at the Chemicals Manufacturers Association, said that U.S. firms don't support the concept of calling feedstock a subsidy because it is technically a natural resource of the country pumping it.

But even if Saudi Arabia does gain unhindered entry to the major world markets, the kingdom's new producers have still to prove themselves in marketing it. The country expects to produce around \$3bn to \$3.5bn worth of chemical products when the plants are fully onstream—a sum which merits a mighty marketing effort if it is to provide profitable returns to both Sabic and its joint venture partners.

Sabic has repeatedly stated that it will sell its products at world prices and not attempt to undercut the market in order to gain access. But prices for a number of products, like methanol, for example, are still at unacceptably low levels even for low-cost producers.

This situation has led a number of leaders within the industry to predict that Sabic's joint venture partners will be losing money on their investment, despite the low feedstock prices. It seems increasingly clear that the burden of marketing as much as 80 per cent of the new plants' output will fall to the joint venture partners, as opposed to the 50:50 split envisaged originally.

Cushioning the joint venture

partners, however, will be the fairly easy terms upon which they agreed to participate. The Sabic projects are being financed with a 70/30 debt to equity ratio, with only 10 per cent of the total being raised by conventional bank loans. The remaining debt is provided through Saudi loans, with no interest required from the joint venture partners for five years after the plant starts. Even then, the interest payable will range between 3 to 6 per cent, depending on the profitability of the plants.

Domestic demand

The joint venture partners have also received crude oil purchase entitlements, but these

will only become available if the price of Saudi crude rises above \$29 per barrel again.

For Sabic's part, the domestic demand for plastics is expected to double by the end of the decade, pushing up the demand for polyvinyl chloride (PVC), for example, from 100,000 tonnes in 1983 to nearly 190,000 tonnes in 1990. This domestic market is now supplied by imports from Western Europe, Japan and North America.

Companies who fear the effects of losing their markets to new competition are being encouraged to propose downstream joint-venture projects with privately-owned Saudi companies. Both Imperial Chemical Industries and Dow Chemical

have announced small downstream projects. In ICI's case, the group has gone into a joint venture with a local company to build a \$7m 8,000 tonnes a year polyurethane plant in Dammam.

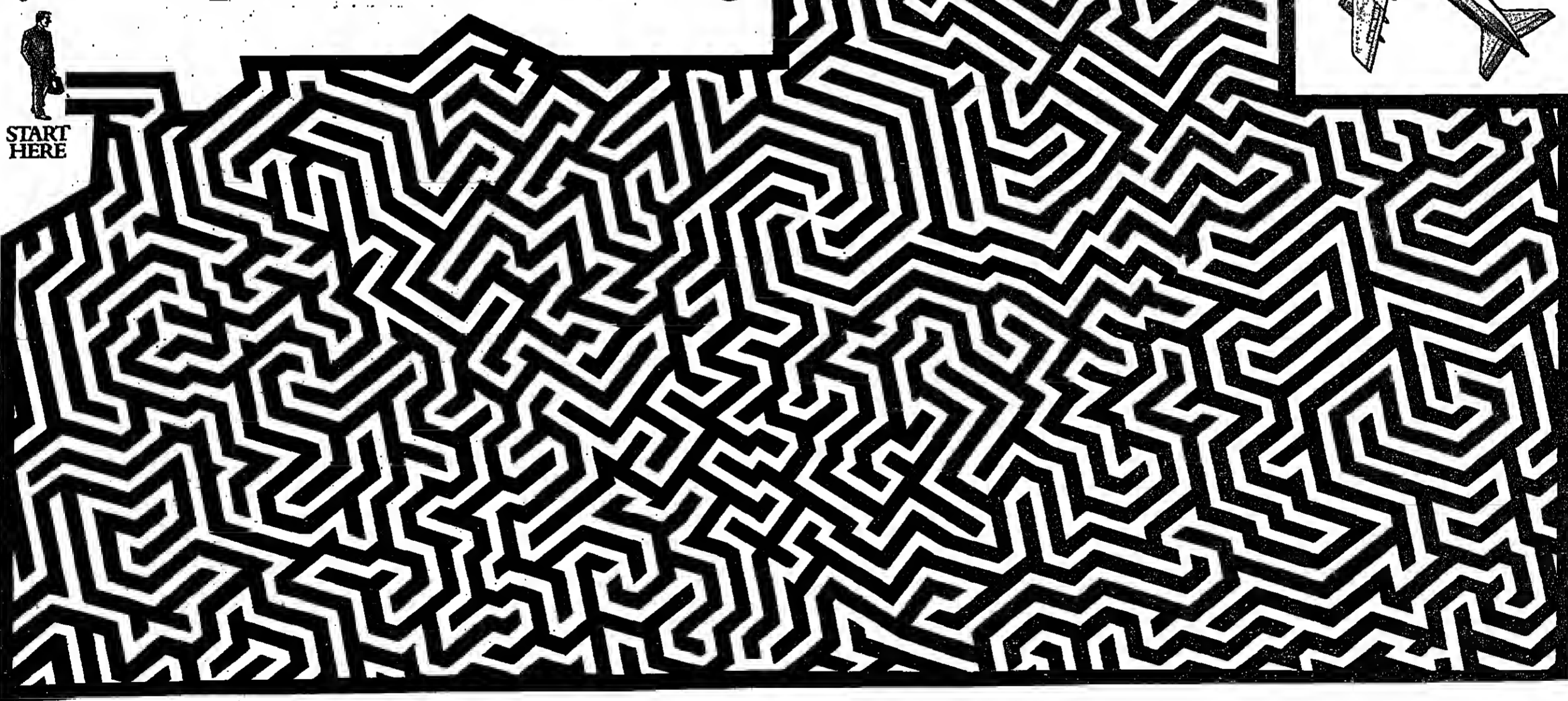
The Saudis are less interested in joint-venture deals which do not involve capital investment in the country. A number of the large petrochemical companies which are not involved in the Sabic projects are anxious to help Sabic market their products, but the successful completion of these negotiations, it is understood, will require fairly substantial capital investment in Saudi Arabia.

Carla Rapoport

SABIC PETROCHEMICAL, MINERAL AND FERTILISER PROJECTS

Project	Marketing Name	Shareholders	Location	Contractor	Estimated Cost	Completion Date	Per cent Completed 12/31/83	Feedstock	Products	Capacity/year (tonnes)
Sabic Petrochemical	SADAF	Sabic 50% Pecten (owned by Shell Oil) 50%	Jubail	Fluor Engineering by Braun, Badger and Dravo	\$3bn	Late 1985	78%	Ethane Salt Benzene	Ethylene Ethylene Dichloride Styrene Crude Ind. Ethanol Caustic Soda	656,000 454,000 295,000 281,000 377,000
Saudi Yanbu Petrochemical Company	YANPET	Sabic 50% Mobil 50%	Yanbu	Bechtel	\$2.5bn	Early 1985	78%	Ethane	Ethylene Linear Low Density Polyethylene High Density Polyethylene Ethylene Glycol	455,000 205,000 90,000 220,000
Jubail Petrochemical	KEMYA	Sabic 50% Mobil 50%	Jubail	Fluor	\$1.1bn	Early 1985	85%	Ethylene	Linear Low Density Polyethylene	260,000
Saudi Methanol Company	AR-RAZI	Sabic 50% Japanese Consortium led by Mitsubishi 50%	Jubail	Mitsubishi Heavy Industries	\$500m	Onstream 3/83	100%	Methane	Chemical Grade Methanol	600,000
National Methanol Company	IBN-SINA	Sabic 50% Celanese and Texas Eastern 50%	Jubail	C. F. Braun	\$500m	Late 1985	86%	Methane	Chemical Grade Methanol	650,000
Arabian Petrochemical Company	Petrokemya	Sabic 100%	Jubail	Chiyoda	\$1.5bn	1985	14%	Ethane	Ethylene	500,000
Eastern Petrochemical Company	SHARQ	Sabic 50% Japanese Consortium led by Mitsubishi	Jubail	Chiyoda	\$1.5bn	Mid-1985	27%	Ethylene	Linear Low Density Polyethylene Ethylene Glycol	130,000 300,000
National Ind. Gases Company	GAS	Saudi Private Sector	Jubail	N.A.	N.A.	1985	45%	Air	Oxygen Nitrogen	1,200,000/day 400,000/day
Jubail Fertiliser Company	SAMAD	Sabic 50% Taiwan Fertiliser 50%	Jubail	Kellogg and REDEC-Daelin	\$350m	Onstream in early 1984	100%	Methane	Urea	500,000
Saudi Arabian Fertiliser Company	SAFCO	Saudi Private Sector 60% Sabic 40%	Daman	Built in 1960s	N.A.	1970—expansion in 1980	—	Methane	Urea Sulphuric Acid Melamine	330,000 100,000 20,000
Saudi Iron and Steel Company	HADEED	Sabic 90% Korf-Stahl 5% West German Government 5%	Jubail	Lurgi, Voret, Alpine, Demag	\$850m	Onstream early 1983	100%	Iron Ore Limestone Natural gas Scrap Iron	Rods and Bars	800,000
Jeddah Steel Rolling Mill Company	SULB	Sabic 60% Korf-Handel 40%	Jeddah	Built in 1960s	N.A.	Expanded in 1981	100%	Steel billets	Rods and Bars	140,000

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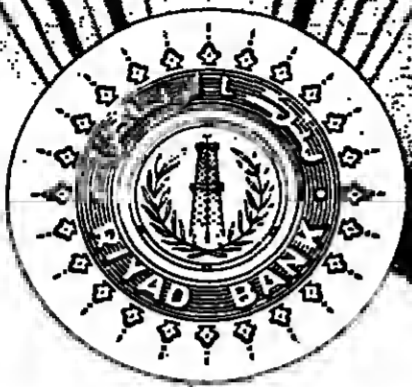
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السعودية

AIR-CONDITIONING EQUIPMENT

World's third biggest market

SAUDI ARABIA is the world's third biggest market for unit air-conditioners—the type of machine that is fitted into the wall of a building rather than being part of a central system. In 1980-82 the Kingdom was installing just under 800,000 air conditioners a year. Now the market has fallen to rather over 500,000 units and may drop a bit below this figure before it levels off at the end of this year. Even at the lower level the country will still rank only after the United States and Japan as an air-conditioner market.

About half the present level of demand is met by three Saudi companies: Al-Zamil Refrigeration Industries (ARI), which is wholly owned by the Zamil family and produces Friedrich units; the National Factory for Air-conditioners owned by the Al-Eassa family, which produces Gibson units; and the Saudi Air-conditioning Manufacturing Company, a 70-30 Juffali-York (Borg-Warner) venture in Jeddah.

There are plans for a fourth company, to be owned by the Dahlawi family and the Japanese company, Daikin.

Much the biggest of the existing companies is ARI, which produces 500 room units and 85 central systems a day, in a factory on the Dammam industrial estate. It is the only one of the companies to have gone into central systems. The Al-Eassa and Juffali families each make about 200 units a day.

Dominant

ARI's domination of the market has come about mainly through its being the longest-established of the three companies. Its plant began producing in the 1970s and for several years had the advantage of being the only local manufacturer in an extremely strong market. The Juffali-York factory only started proper production (as opposed to assembly) in 1978.

The Zamil plant has its own extensive development and testing facilities and turns out a unit geared to a higher tem-

Private sector industries

TWO CASE studies below and right by Michael Field highlight successful industries developed by the Saudi private sector. Most private Saudi industrial plants built so far produce simple items such as building materials and carbonated beverages.

The two industries here are exceptional in that they produce high value, sophisticated items and have achieved a high degree of integration in their manufacturing processes. They have also brought the Kingdom to self-sufficiency or near self-sufficiency, in the products they make.

perature, more dust and more saline humidity than is normally experienced in the U.S.

It also has the advantage of being managed by a family which has dedicated itself to developing successful industries. Together with the Juffali Shihman Giayman, Omar Aggad and, on a smaller scale, the younger Alirezas in Xenel Industries, the Zamils are the most active investors in sophisticated private sector industrial projects. Unlike almost all other investors they are involved only in industry. They do not have importing or contracting operations to distract them, or help fund their projects.

Integrated

ARI has become highly integrated. Because the Zamils, unlike the Juffalis, had not imported and sold air-conditioners before they began manufacturing, they had to establish their own marketing operation from scratch. This was a common cause of problems for other industrialists in the same position in the late 1970s. Investors frequently put huge effort into developing the technical aspects of manufacturing and imagined that marketing operations, which cannot be assisted by Saudi Industrial Development Fund loans, would look after themselves.

Upstream, ARI's integration has gone further than is normal in air-conditioner factories in America and Japan. This is partly a matter of force majeure—industrialists in Saudi Arabia cannot draw on the range of support services and products that are available locally in Western countries. In other ways the Zamil brothers say they have integrated only to save costs.

As it stands now, ARI is one of the most integrated of all Saudi industrial companies, and gives a good indication of which types of processes are economic and which uneconomic to perform in Saudi Arabia.

The company makes its heat exchangers from imported copper pipe and aluminium. An imported steel casing from imported plate, and a sister company, Zamil Plastics, makes the fronts and some other plastic parts. It makes its own

packagings from local supplies. Soon the company will begin using steel coil to make its casings, as the smaller, less integrated, Juffali plant does already. It also intends to produce its own copper tubing from imported bars, and it is working on substituting more locally-produced plastic parts for imported metal items. A plastic fan, to be made by Zamil Plastics, has been designed to replace the same imported aluminium part.

These plans will leave as the main imported parts compressors, motors and switches, all of which are high-value items which are unlikely to be economic to produce in the Kingdom in the foreseeable future.

Although its own integration may seem stop, ARI may draw more of the minor parts it buys from suppliers inside the Kingdom.

Zamil Plastics at present imports the high-end low-density polyethylene and other plastics it uses, or buys them from the import operation that the Saudi Basic Industries Corporation has established to give it experience of the market. In future it is expected that the plastics will be bought from SABIC polyethylene plants or intermediate plastics plants in Jubail. Then the manufacturing chain from ethane gas to finished plastic products will be complete in Saudi Arabia.

It is also possible that the aluminium used in the heat exchangers will one day be bought locally. The Gulf Organisation for Industrial Consulting is studying the possibility of establishing a plant to take aluminium from the Gulf Aluminium Rolling Mill Company, which is building a factory in Bahrain. This itself is to be supplied by ingots from the Aluminium Bahrain (Alba) smelter.

In all, Zamil Refrigeration calculates that at present its own operations add 45-50 per cent of the value of the air-conditioners it sells. Goods produced in the region—including those bought from Zamil Plastics—add another 10 per cent.

The company's plans for further integration and the regional industrial projects from which it may draw supplies in future will have a fairly marginal impact on these figures.

PRE-ENGINEERED STEEL BUILDINGS

Battle for new orders

ALL OF THE pre-engineered steel buildings put up in Saudi Arabia are now produced in the Arabian Peninsula.

The market, amounting at present to about 10,000 tonnes a month, is divided between Zamil Steel, wholly owned by the Zamil family in Dammam, with about half of the region's production; Kirby Industries, owned by the Alghanims of Kuwait, with a bit under 40 per cent of production; and Saudi Building Systems, a 70-30 Juffali-Buiter company in Jeddah, with a share of just over 10 per cent.

Each of these companies is now working well below capacity. SBS is at about 87 per cent, and the other two at about 80-90 per cent of the capacity they had during the boom period of 1982. The companies as SBS puts it, the boom continued so long into 1983.

They put it down to their being some way downstream from the big government contracts—much of the work they do is for sub-contractors—and to the private sector market holding up much better than expected.

Competition is now so intense that Zamil Steel says it wonders whether it is worth bidding for some contracts. Its competitors are bidding low to gain volume so that their operations as a whole can benefit from economies of scale.

Certainly there is no chance that anyone could import a pre-engineered steel building and make a profit.

Success

In the balance of payments sense the three companies have given Arabia one of its industrial successes. They are gradually drawing more of their parts from other local sources. SBS takes all its paint and fibreglass insulation from Saudi and Kuwaiti producers and it is hoping that in the medium term it will be able to buy smooth steel bar locally. It is working to have the manufacture of the development of door and window systems.

In the present tough market the company that is thought to be being squeezed hardest is Kirby, which was established in Kuwait in 1971. The company has suffered from frequent changes in its management and high overheads—it has maintained lavish, highly staffed regional offices throughout the Middle East. In these circumstances it was a mistake for it to lead prices down, because it has hurt itself more than its competitors.

Further problems for Kirby have come from the company's main Saudi dealer and contractor leaving it.

In the next year it may also be damaged by the more rigorous enforcement of the Government's Saudisation legislation. Parts of this require that local companies be given government contracts, even if their bids are 15 per cent above foreigners' bids, and that all contractors draw on local suppliers for at least 30 per cent of the value of their contracts.

There is some question as to whether Kirby will be treated as a local or foreign company in the application of this legislation.

The other two companies are reasonably optimistic about their prospects.

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In the last 12 months it has opened a factory in Dammam for structural steel, which it hopes will be its flagship in three or four years time.

Saudi Building Systems acknowledges that it is much smaller than its competitors and missed opportunities through arriving late in the market. In 1981, while Zamil and Kirby had the advantage of being able to install a large capacity and use it all from the beginning, SBS has had to start small and try to finance its expansion from profits.

It has also had the burden of running its own construction operations—Buiter originally arrived in the Kingdom as a contractor—though this has recently been run down. The company is beginning to work through six Saudi contractors who will use its products exclusively.

New SBS feels that it is "lean and mean and ready to go for expansion." It is hiring staff, increasing inventories and expanding its capacity from 1,000 tonnes to 1,500 tonnes a month.

It is hoping this year to expand its market share to 18 per cent and it is Kirby, not Zamil, that it has in its sights.

Michael Field

Government's third five-year plan provides for 36 new hospitals and 1,125 health centres

Hospital building plan proceeds strongly

THE PROGNOSIS for the health care industry in Saudi Arabia is excellent. Budgetary restraints have rendered certain sectors somewhat anemic, but the government's determination to meet the demand for medical care augers well for expansion.

The medical field in Saudi Arabia can be divided into four areas—construction, operation and maintenance of the hospitals already built, equipment and drug sales, and education, which specifically means medical schools.

In the construction field the Kingdom has embarked on a building programme that will boost capacity from 117 hospitals, with 33,500 beds in 1982 to 190 hospitals with 36,500 beds by 1985.

The Ministry of Health construction programme for the third five-year plan will provide 36 new hospitals with 7,500 beds and in addition to the hospitals, 1,125 dispensaries and health centres are planned by 1985. The Kingdom has a bed to patient ratio of seven beds per 1,000 but intends to raise the standard by 1990 to nine beds per 1,000.

The Ministry of Health, under Dr Ghazi al-Ghosalhi, is not the only government organisation building hospitals. The Ministry of Defence and Aviation also provides services through 13 hospitals with a capacity of more than 2,000 beds.

The Saudi Arabian National Guard (Sang), also provides health care, particularly to soldiers and their relatives. Sang operates 500-bed hospitals in Riyadh and Jeddah, but is experiencing some financing problems in its plan to build more hospitals.

Expansion

Mental health as well as physical health are being treated in the Kingdom's hospitals. For instance, in the summer capital of Taif two 250-bed psychiatric hospitals will be commissioned. One is being built while the other is the result of expansion of a present facility.

Most of the construction activity under the five-year plan is concentrated on smaller 100 and 50 bed hospitals for outlying regions, enabling most Saudis to receive treatment in relative proximity to their homes. The construction of small clinics is also an important element of the push to provide rural medical services.

Even though the Government presence in medicine is large, there is considerable activity in the private market. The Ministry of Health loans 50 per cent of the cost of projects and after completion pays for 15 per cent of the hospital's bed capacity. By 1988 private hospitals should account for 10 per cent of the total bed capacity in Saudi Arabia.

Although most expenditure is on hospital construction, considerable sums are also being spent on operations and maintenance contracts, though some slowing down has recently taken place. Whittaker Corporation's U.S.\$14bn contract with Moda was cancelled because it had been renegotiated instead of going out for competitive bidding. Because the renegotiation conflicted with royal decree, the contract was nullified.

Tighter controls on expenditure may mean fewer Western medical personnel will in future be hired. While the Government preside hospitals depend on Western physicians and nurses, the private sector tends to use Far East and

Middle Eastern personnel. The private sector hospitals generally treat expatriates (who will generally have medical employers). They also treat middle-class Saudis.

The medical groups working in Saudi Arabia come from all over the Western world. Danes are involved in medical work in the southern province of Jazan. Britain is represented by International Hospitals Group (IHG). Germany and other Europeans are also represented and the U.S. is represented by American Medical Enterprises and Whittaker and other firms.

Sales of equipment and supplies are also large. The six hospitals involved in the Whittaker bid will use approximately \$200m worth of supplies during a three-year period.

The Saudis are large-scale purchasers of over-the-counter drugs. Pharmaceutical sales are around U.S.\$842m to \$400m per year, of which one third is to the private sector. The Ministry of Health controls prices and registration of drugs.

Suppliers

There are also plans to set up local drug manufacturing plants. Saudi Pharmaceutical Industries Corporation (Spic) is planning a factory in Qassim. The venture is capitalised at U.S.\$85.7m. Several of the larger drug retailers have taken an interest in the plant which is designed to supply 50 per cent of the Saudi market for soft drugs.

Decrips say that the Saudis will continue to buy specialty drugs overseas. Spic is aiming for government supply contracts because the Government has a huge requirement for drugs. After all, it operates over 90 per cent of the hospitals in the Kingdom. The Spic plant will begin producing sometime in 1987.

The Kingdom's five medical schools produce more than 150 doctors a year. King Saud University Medical School in Riyadh is part of a massive new campus, with its own teaching hospital and classroom buildings. These schools train the country's doctors who will eventually assume greater control of the Kingdom's growing medical industry.

Strategy

The Government Organisation for Social Insurance (Gosi), the Ministry of Labour and Social Affairs, and the public security organisation of the Ministry of the Interior, are involved in co-operative hospital projects.

Although the hospitals of these different ministries are not integrated into a single network they do fit into the Government's basic plan to provide increasing medical care up to and including speciality care. This plan envisages a series of feeder hospitals leading to specialised units in the larger

cities.

The Government is currently finishing its group of large specialised hospitals. The newest of these, the King Khalid Eye Specialist Hospital in Riyadh, has superb facilities but suffers from under-utilisation. Hospitals such as these will continue to be built to fulfil Dr al-Ghosalhi's pledge that no Saudi will have to leave the Kingdom for medical treatment.

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Finn Barre

Self-sufficiency targets are being reached sooner than expected

Farm policies yield a rich harvest

THIS MONTH, Saudi Arabia's remarkable agriculture development has turned an important corner. If preliminary estimates of this year's wheat crop, now being garnered, are correct, production has almost doubled. The Kingdom has not only become self-sufficient, somewhat before its planners originally thought likely, but has also created a modest surplus for export.

The Saudis have also reached the point of exporting eggs (mainly to Kuwait and the United Arab Emirates), and are about halfway to self-sufficiency in milk and chickens.

The success of the Government's policies, involving free gifts of large land plots, extremely soft or interest-free loans from the state-owned Saudi Arabian Agricultural Bank and generous subsidies on equipment, seeds, feed and fertiliser, has taken the Ministry of Agriculture itself by surprise.

This year's estimated wheat production, at 1.3m tonnes, compares with an output of about 740,500 tonnes last year and a meagre 3,000 tonnes as recently as 1975. Egg production leapt by 41 per cent last year to 1.75bn, and the flow of milk from the Kingdom's ultra-modern dairies increased by 15 per cent to 320,096 tonnes.

Output of broiling chickens rose 67 per cent to 127 kg. It could barely keep pace with demand, however—Saudis probably eat more poultry per head these days than anyone else.

Wheat is the showpiece, however, mainly because off the Government's undertaking to buy farmers' output at a guaranteed price of SR 3.50 per kg, more than five times the world price (last year, imported wheat cost SR 0.88 CIF at Saudi ports).

In effect, this assures farmers of a substantial profit for every bushel they grow. Foreign agriculturalists in the Kingdom reckon that Saudi farms are probably the most profitable anywhere in the world.

Average yields of wheat, at around five tonnes per hectare, are comparable with those of the European Community and above levels achieved in North America, while some of the best farms can hope to sell an amazing 7.4 tonnes per hectare.

Forage grass growers can achieve similarly impressive targets, and on well-managed dairy farms, annual yields of 6,500 tonnes per cow or more have been known—highly respectable figures in international terms.

Total government spending on agriculture is very difficult to estimate, coming as it does from so many different arms of the bureaucracy. In the 1980-85 Development Plan, SR 5bn was allocated in loans and SR 2.5bn in subsidies, explicitly to farms, in addition to substantial spending on vital water resources, grain storage and flour milling facilities and municipal development in rural areas.

In all, it is estimated that more than US\$15bn has been invested in farming by the public and private sectors since 1980. Because of this, Saudi Arabia's farms are now among the world's most intensive and technologically-advanced, using the very latest irrigation, cultivation, storage and animal husbandry techniques.

Diversification

So far at least, domestic cost seems to have been no object. In a recent report, the Ministry of Agriculture and Water reckoned it had saved about SR 3.79bn that would have been spent on imports in the most recent Hijra (Islamic) year.

This economic benefit, however, is only a small part of the story, as the ministry freely admits. Other gains include progress towards diversification of the economy away from oil, and a boost for the Kingdom's enthusiastic private sector—not to mention such social considerations as reversing the drift to the big cities seen in the 1960s and 1970s and making sure that the petrodollars are spread as widely as possible across the population.

Dr Abdul Rahman al-Sheikh, the agriculture and water minister, is also fond of citing the political and strategic advantages which independence from food imports brings, describing farming as "a most expressive means of patriotism."

Expansion in Saudi agriculture is still going on apparently unabated. But now that the key target of self-

sufficiency in wheat has been reached several uncertainties have arisen, raising the broader question of whether the Kingdom's farm programme is in danger of becoming a victim of its own success.

One of the main issues is what to do about wheat surpluses. This year's over-production, amounting to about 500,000 tonnes (demand is reckoned to be about 800,000 tonnes, and growing), does not present a great problem, representing a reasonable safety margin against such eventualities as destruction of crops by storms, which are quite frequent around harvest time. If production continues to grow—and it is a virtual certainty that it will, at a considerable rate—the Kingdom, however, will have a large grain mountain on its hands.

The Government, apparently unconcerned, has always said that it will export excess grain although it is not entirely clear whether it intends to ask a market price for its produce or whether it will give it away as aid. Probably, the Kingdom will do both—selling some to fellow-members of the Gulf Co-operation Council (GCC) and granting the rest in aid, possibly through the United Nations Food and Agriculture Organisation.

Nevertheless, it seems doubtful to say the least—that the Saudis would wish to keep up such a costly method of trading or aiding in the long run.

Another option believed to be under discussion is the creation of a bufferstock or strategic reserve. This raises possible storage problems. The state-owned grain silos and flour mills organisation, which buys wheat on behalf of the Government, has spent more than SR 2.5bn increasing its storage capacity to about 585,000 tonnes, and there are understood to be plans—yet unapproved—to boost it further to 1.7m tonnes.

Additional capacity will soon be needed just to keep pace with production; the strain on resources last year was apparent to foreign observers, who speak of large queues of up to 20km building up at some silos. In



Chicken farming at Riyadh University's faculty of agriculture. The Kingdom is already exporting eggs and is about halfway to self-sufficiency in chickens

FARM PRODUCTION 1982-83

	Number of projects		Production 1982		Self-sufficiency %	
	1982	1983	1982	1983	1982	1983
Broiling chickens	212	237	82m kg	137m kg	29.5	43
Eggs	165	172	1.34bn	1.75bn	88	98
Milk	22	28	277,122 tonnes	320,096 tonnes	46.6	41
Wheat	48	101	250,000 *tonnes	740,478 tonnes	31*	93

* Estimates. Source: Ministry of Agriculture and Water

any case, a buffer stock is not a long-term answer to the surplus question.

The real issue revolves around the subsidies, and here the Government looks to be in something of a bind. The proportion of farm expenditure represented by current outlays is growing rapidly, reflecting in part the boom in wheat production.

If this year's production estimates are correct, merely buying in the crop will cost an awful lot. Many people in the Kingdom are asking themselves how long such largesse can be justified at a time of general budgetary restraint.

Equally, the authorities may find it quite difficult to reduce their handouts significantly. The farm policy has been so successful that, like Europe's Common Agricultural Policy, it has developed a momentum of its own.

A recent tentative attempt to reduce the guaranteed wheat price from SR 3.5 per kg to SR 2.5 is believed to have been shelved after heavy resistance, not only from the newly-vocal farmers' lobby but also from the religious establishment, which saw any cutback as an

intolerable breach of the Government's promise.

As an indication of the financial pressures which are already occurring, the grain silos organisation had to delay some payments to farmers last year, and no sooner had it finished paying for the 1983 crop than this year's started to roll in.

Many observers see a diversification from wheat into barley, like wheat a good dryland crop, and possibly other grains or oilseeds, as a logical next step.

Aside from helping to curb the growth of wheat surpluses, this would have the additional advantage of reducing or eliminating subsidised imports of barley for animal feed, estimated to be about 1m tonnes per year.

Integrated

Another area with growth potential is horticulture. This is already expanding rapidly, and there has been a perceptible shift of emphasis in SAAB loans to this sector. According to figures from the bank, some 58 greenhouse projects are now under construction, yielding a potential 57,717 tonnes of produce. This compares with the

24 existing ventures, and current output of 29,303 tonnes.

None the less, horticulture, unlike the grain industry with its centralised buying policy or dairying with its integrated distribution and processing networks, is dogged by marketing problems. Vegetable distribution is operated on what one foreign farm executive described as "pickup truck marketing" principles, unsuited to turning over large volumes of produce. The development of a major food-processing industry would permit an improvement, but this seems some way off.

A second long-term question mark hangs over all-important water supplies. Broadly speaking, the Kingdom can be divided into two parts as regards its natural water resources: the West and South West which catch some rain, the West in winter and the South West in early spring and late summer respectively—and the arid central and eastern areas.

Farming in the West and South West, although fed effectively by renewable water, enhanced in some places by dams, tends to be fairly small-scale, in part because of the

PROJECTED WATER RESOURCES

	(million cubic metres per year)			
	1980	1985	1990	2000
Non-renewable	3,450	3,450	3,450	3,450
Renewable	1,145	1,145	1,145	1,145
Desalination	63	605	794	1,198
Reclaimed urban waste	0	140	335	730
Total resources	4,658	5,340	5,724	6,223

Source: Ministry of Planning.

often difficult terrain and a relatively high salt content in the soil.

Saudi Arabia's big intensive farms, from which much of the boom has come, are almost exclusively in the centre of the country, and depend for much of their water on ancient aquifers exploited by wells, often drilled as deep as 1,000 metres.

Some of the centre's resources, of course, are replenished, whether by a steady trickle eastwards of rain collected underground in the West or by a soaking down of what rain does fall locally. The fact is that a considerable amount of water used by the big farms—nobody knows exactly how much—is non-renewable. Thus, although there is apparently no major sign of this yet, there are worries that the Kingdom's water table may eventually fall, causing wells to start running dry.

Against this day, new sources of water have been laid on at great expense, such as 22 desalination complexes—which are mainly directed at urban needs, but indirectly benefit farmers by freeing wells for their use and plants to re-treat urban sewage water, which appears to be the coming thing.

Other efforts to minimise the risks include:

- Selective bans on drilling agricultural wells in certain areas, imposed by the ministry from time to time. The ministry says these have a largely technical function, and are not primarily designed to cut water use.

- It is understood that the next five-year plan, covering 1985-90, will propose that agricultural wells be metered, initially with a view to monitoring water use by individual farms. Officials say that the possibility of making farmers pay for the water they pump cannot be ruled out, although the implications for farming costs would have to be studied first.

- Another proposal, before the Council of Ministers, calls for an increase in heavily-subsidised urban water tariffs, aimed at curbing wasteful consumption. Town-dwellers pay SR 0.50 per cubic metre for water, which costs the Government SR 3 to SR 3.1 to give them.

The plan is to leave the rate unchanged for consumption of up to 5 cu m per household per day, but thereafter to increase it sharply.

It is hoped that a great deal more light will be shed on the prospects by a comprehensive "water atlas" being finalised for the ministry by a team of U.S. scientists. Officials say they expect this to be available in six months, and at that point it will be possible to revise projections for water supply.

Those officials who have seen the report while unwilling to divulge its contents, sanguine about the future. One said: "When I was a child, we were constantly told the oil would last only 30 years. Now I'm over 40 and it's still flowing. Water is the same."

Hostile environment

Two things, at least, are certain about agriculture. First, farming in the Kingdom—for all its free enterprise vigour—would not survive without considerable state support. Second, the Government still stands—firmly behind its farmers. Nevertheless, there are signs that the Ministry of Agriculture would like, in line with the spirit of the fourth development plan starting next year, to reduce its role eventually and let the private sector do more of the work. How this is to be accomplished is another question.

"The Saudis are proud of their farming achievements, brought about in an extremely hostile environment and with surprisingly little initial scientific knowledge."

They are also extremely sensitive to criticisms that their agriculture is a waste of money. A remark to this effect by Mr John Block, the U.S. Agriculture Secretary, last year met with a sharp rebuttal from King Fahd, who vowed to "refute allegations that the Kingdom is not an agricultural country."

In the same vein, Dr Al-Sheikh said last November: "to those who believe we are throwing away our money in a vain attempt to cultivate the desert rather than use those funds in other things we say: Welcome to our green desert."

Andrew Gowers

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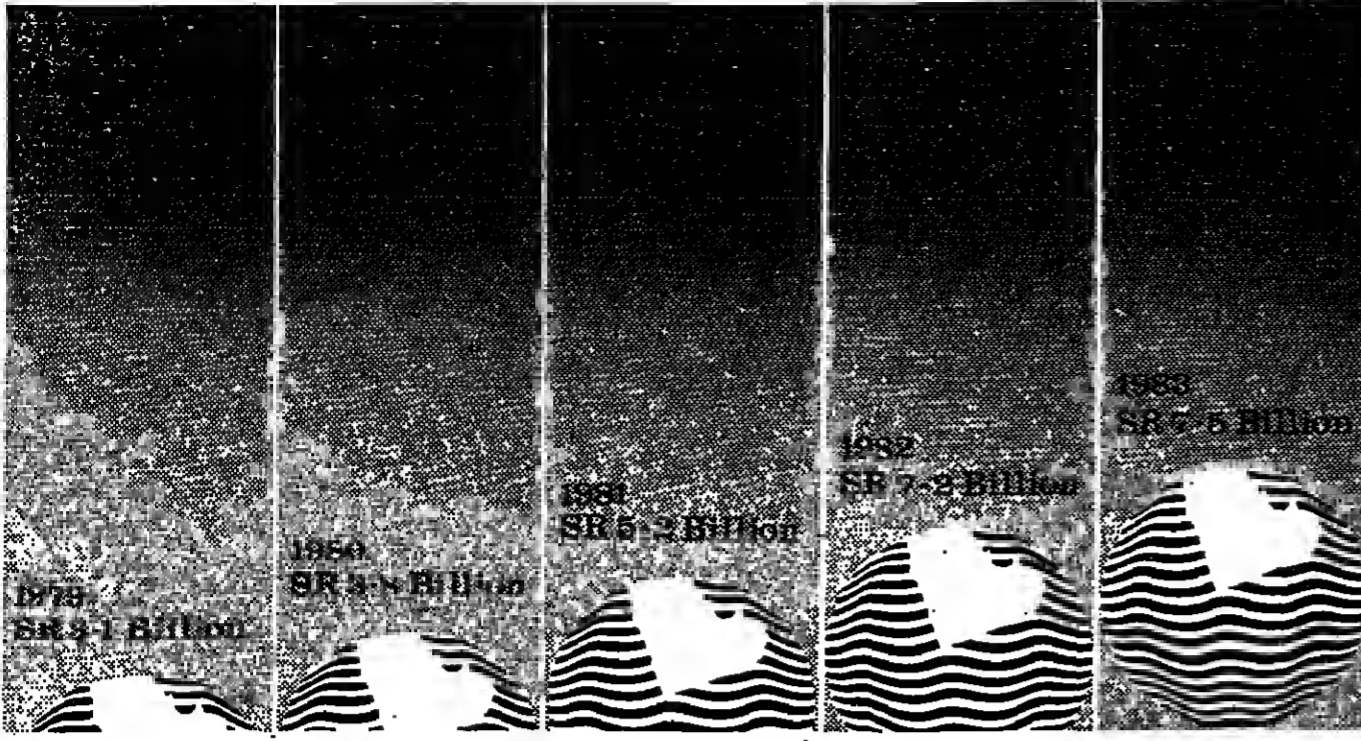
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Loans, Advances etc.	885.00	1,107.00	1,283.00	1,690.00	1,797.00
Balance Sheet Total	3,066.00	3,793.00	5,169.00	7,217.00	7,453.00
Profit	29.88	53.36	86.51	110.58	110.83
Dividend	15%	17%	18%	20%	20%
Branches	8	9	11	17	23
Staff	508	575	632	821	982

Amounts in S.R. Millions

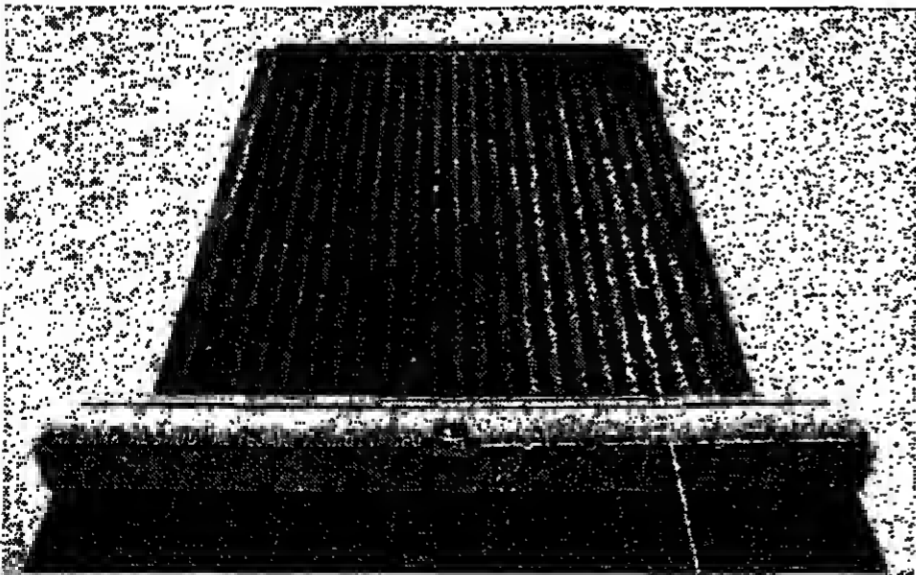


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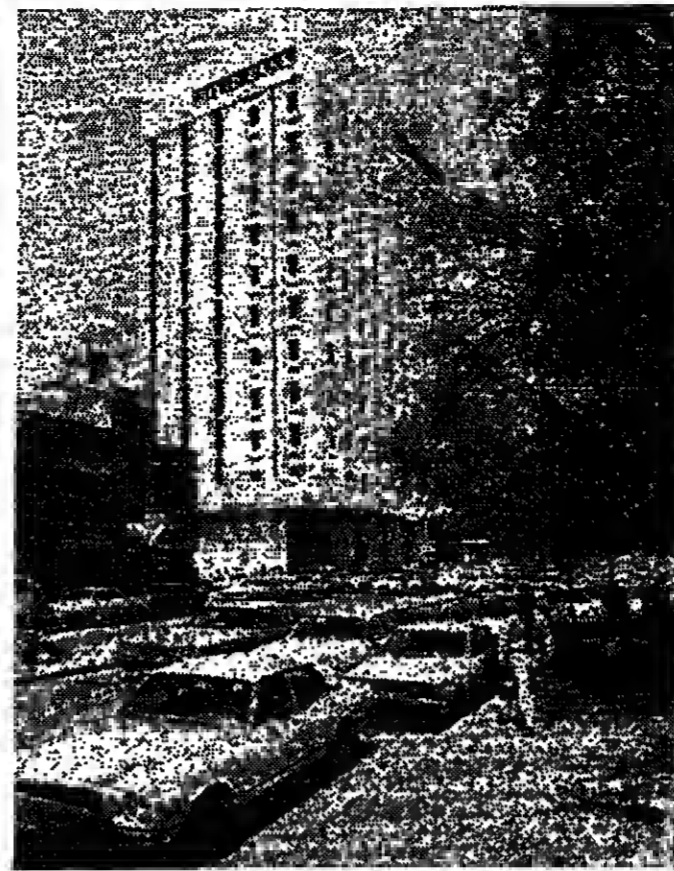
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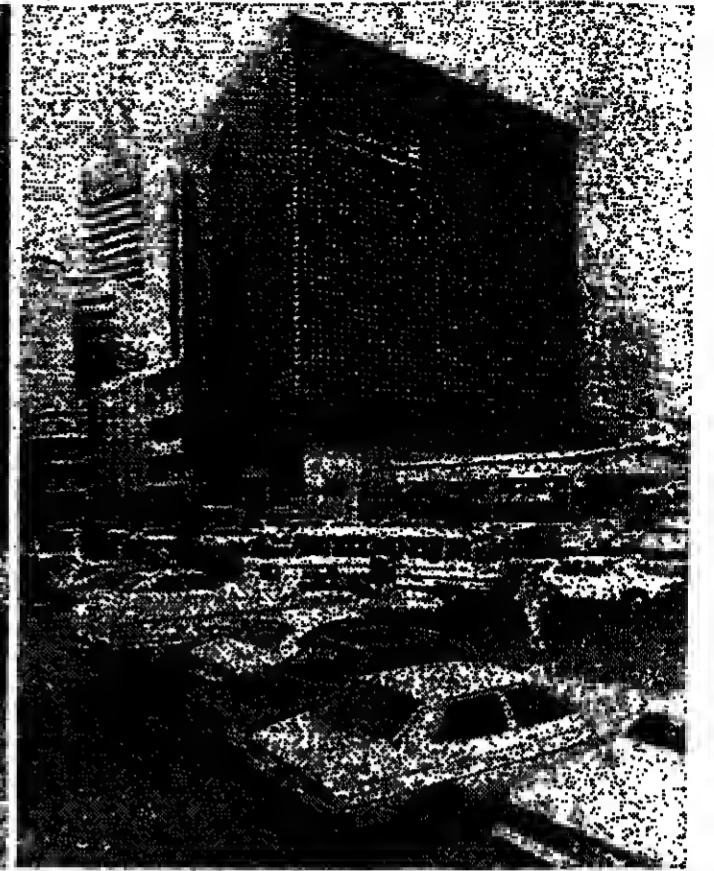
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The head office of the National Commercial Bank

Relative calm in the banking sector masks fundamental changes

Authorities aim to boost commercial lending

AN EERIE calm has descended on Saudi Arabia's banking industry, like the atmosphere in space after a particularly noisy take off and flight. After years of what seemed almost extraterrestrial growth in balance sheet and earnings, the Kingdom's banks are slowly floating back towards earth and life among ordinary mortals.

According to preliminary estimates issued by the Ministry of Finance earlier this month, commercial bank assets expanded by 3.8 per cent in the most recent fiscal year, and deposits grew by 5.3 per cent—rates which would elsewhere seem perfectly normal, but in the Kingdom must be measured against increases in both of more than 20 per cent as recently as two years ago.

The tale told by profits is even more revealing. Saudi banks were until quite recently reckoned to be among the most profitable in the world, but while they are still providing very handsome returns, only one—Saudi-American Bank, part owned by Citibank—has so far reported an increase in net earnings for 1983 and even then it was only 1.4 per cent. The Kingdom's largest financial institution, National Commercial Bank, recorded a fall in profits of 10.3 per cent.

Everywhere the talk is of "consolidation," a period of review and reorientation. The surface calm masks fundamental changes in Saudi banking now getting underway.

Bankers pinpoint several major developments which will continue to squeeze their margins or test their ingenuity and adaptability for the foreseeable future. Most of them have something to do with the general slowdown in the Kingdom's economic growth, and most also indicate an increasing involvement by institutions which, until quite recently, seemed happier sticking to a limited range of retail banking activities, while keeping much of their assets on deposit with other banks outside the country, notably in Bahrain.

The recent reduction in Government spending, the motor of the economy, has caused private companies to turn increasingly to the banks for loans, whether the finance expansion or to tide them over cashflow difficulties.

Either way, this development is likely to have a continuing impact on bank earnings, as it will force them to step up administrative expenditure and expand such relatively new activities as credit risk analysis.

Net earnings. Either way, too, it means increasing exposure to risk. Indeed, some bankers worry that in particularly hard hit sectors of the economy, such as the construction industry, banks' lending risks could rise to unacceptable levels.

But the Saudi Arabian Monetary Agency (SAMA), the Kingdom's central bank, is determined to encourage increased commercial lending to business, which is in line with the emphasis in the fourth development plan, starting next year, on encouraging the private sector.

Last year, according to the Finance Ministry estimates, such lending increased by 18 per cent—a remarkable figure at a time of relatively slow overall balance sheet growth.

In the same spirit, there is also increasing activity by Saudi banks in the Saudi rival syndication market, focusing mainly on the large state-owned corporations.

Saudi Basic Industries Corporation (SABIC), was the first in the recent flurry, with a SR 686m syndicated loan led by Riyad Bank and signed last June. Then in March of this year came SR 978m credit arranged by Riyad Bank and

These include Saudi riyal travellers' cheques (launched last year and off to a slow start), 24-hour cash dispensers and an increased use of credit cards and personal cheques.

At the same time as banks are having to invest heavily in expansion on the ground, they are finding themselves paying more for funds.

Until quite recently, many Saudi bank customers happily left their money in easy-to-service current accounts without demanding interest. The banks could thus earn themselves 10 per cent and more simply by leaving the funds on deposit in foreign banks. It was almost literally a "heaven to what money and deposit banks to make profits equal to or greater than their capital in some cases."

Things are different now, partly as a result of the increasing sophistication of private customers and partly because of a heightened cost-consciousness on the part of hard-pressed customers. As a proportion of total deposits, demand deposits have now dropped below 50 per cent from over 60 per cent in 1980.

SAMA notes that time deposits and other interest-bearing accounts have been gaining steadily as a proportion of money supply since the second half of the 1970s. But it is only natural that the banks should feel more impact from this trend now, given the low level of overall deposit growth.

Further uncertainty has been injected into the industry by the imminent arrival of a strange new player—the Al Rajhi Company for Currency Exchange and Commerce, up to now the biggest of the Kingdom's money changers.

These institutions handle a large portion of Saudi current account money as well as providing foreign exchange drafts for the large expatriate workforce and trading on various foreign markets, notably the commodity exchanges.

In December, 1981, SAMA, increasingly concerned at the almost total lack of controls on their activities (a situation which led the next year to the embarrassing and costly collapse of one of their number), ordered the money changers to wind up their deposit taking activities within three years.

Islamic bank

The Al Rajhi Company for Currency Exchange and Commerce, however, declared that it wanted to become an Islamic bank—a phenomenon hitherto unknown in the Kingdom and was promised a licence by the central bank.

The company is now planning to set itself up as a joint stock operation by floating off about 40 per cent of its shares to the public. It is believed that it will then become a kind of Islamic investment institution channeling interest payments and using customers' money to buy into ventures and share the profit, rather than a bank as such.

Bankers are inclined to regard all this as an interesting move rather than a threat or a major development. But the sheer size of the company (its capital of SR 750m would immediately put it among the Kingdom's largest banks) and the sensitive religious questions it raises mean that it cannot be ignored.

The most potentially far-reaching change in Saudi banking, however, emanates not from within the industry or from other commercial organizations, but from the authorities. On February 11, SAMA took a long-awaited—some would say long overdue—step

by launching its first financial instrument on the domestic scene. Since then, it has been issuing weekly tenders for 91-day deposits, initially of up to SR 500m and lately up to SR 400m. SAMA officials describe it as an experimental first step towards creating a range of financial instruments in the Kingdom, as well as an embryonic monetary tool to mop up excess liquidity in the economy. Eventually, the authority may also allow a secondary market in the deposits.

Inevitably there has been speculation that the tenders may eventually be used to finance government budget deficits, although SAMA denies this, pointing out that its foreign reserves are ample to cover such shortfalls.

Test attitudes

Some foreign observers see the new practice, in addition to being a financial experiment, as an attempt to test religious attitudes to payment of interest by Government.

While SAMA has been careful to structure the tender as a discount transaction, which strictly speaking conforms with the Islamic ban on interest, they are regarded by bankers as effectively interest bearing. So far, however, the Ulema, the Kingdom's powerful religious establishment, has been remarkably silent on the issue.

Bankers' response to the SAMA move has been mixed. There is much grumbling that the interest rate on offer is lower than equivalent (three months) interbank rates, which, the central bank counters by pointing out the exceptional security it offers. It also sees keeping the yields on the tenders down as a vital signal to the market on interest rates in general.

There are also complaints in some quarters about procedures from SAMA to take part in the tenders as a result of poor initial subscriptions. The authority insists that the banks are free to take the offer or leave it.

But, as one foreign expert pointed out, even if it is applying some coercion, SAMA is only acting like other central banks the world over, including the oldest of them all.

Another possible effect of SAMA's policy could be to attract riyals back into the Kingdom from Bahrain. For this reason, reaction to the move in Manama seems to have been much stronger than in Riyadh or Jeddah; bankers there see it as a part of the same Saudi conspiracy against them that gave rise to the restraints on offshore participation in riyal syndications and the withholding tax on interest payments to foreign lenders.

Soundings among Saudi bankers and officials suggest that this may be an over-reaction. The Kingdom has certainly made it plain enough that it does not want to see the riyal becoming greatly internationalised—out of a desire to be monetary master in its own house—and officials express satisfaction that Saudi banks' assets are not expanding any more as a proportion of their total assets.

But the weekly tenders, which at their current level can raise a maximum of about SR 5bn—against the estimated SR 20bn and more held in riyals by Saudi banks outside the Kingdom—hardly amount to a squeeze on Bahrain.

For Saudi banks, meanwhile, the future looks a great deal more interesting than the past, even if it is not lined with easy profits.

Andrew Gowers

'Growing need' for a more sophisticated financial system

"THERE'S A tremendous savings base here waiting to be invested," says Dr Abdulaziz Dukheil, a leading Saudi financier and former Deputy Finance Minister. "The lack of institutions and instruments."

With these words, he sums up the central dilemma facing the Saudi government as it tries to boost the role of the private sector: how to harness Saudi Arabia's enormous available private capital to a Saudi economic development and in particular how to marry it with suitable and viable investment opportunities.

Dr Dukheil's Riyadh-based Consulting Centre for Finance and Investment was set up in 1979 to provide professional consultancy services on "just those problems, and its business is beginning to take off. "The more the economy develops," he says, warning to his argument, "the more the need arises for a sophisticated financial system. Financing will move beyond the private or family sphere. It must move towards an institutional system."

The signs are that the authorities broadly share his views. The theme is underlined almost as often as a Saudi Government figure talks publicly about the economy: at a time of depressed national revenue, the need is all the more urgent to boost non-oil income and this can only be achieved with the active involvement of private capital. In short, the Government, whose lavish expenditure has been the driving force behind Saudi development since the oil price explosion, now wants to step back and let others do some of the work.

How it proposes to proceed will no doubt be set out in some detail in the Kingdom's fourth five-year plan, which applies from next year. There is every indication that it will continue to tread exceedingly warily, so until that eagerly awaited document is published, discussion of the future will have to rely heavily on straws in the wind.

Trial run

One straw pointing decisively in the right direction is the sale to private shareholders of state-owned corporations. The sale earlier this year of shares in Saudi Basic Industries Corporation (SABIC) the state company which is responsible for Saudi Arabia's major new petrochemicals industry, was a trial run and it proved a runaway success, at least within the Kingdom.

By the time subscriptions closed in early February, Saudi investors had put up enough bids for the 1.8m shares of SR 1,000 nominal value each, representing 18 per cent of SABIC's capital, to buy them twice over.

In all, SR 3.7bn was raised, according to Mr Abdul Aziz Al-Zamil, the Industry Minister and SABIC's chairman — "a measure," as he puts it, "of liquidity in the Saudi private sector."

Frustrated with the popularity of the first issue, the Government is now selling a further 10 per cent of SABIC's capital — and the signs are that this offering will also be heavily over-subscribed. Eventually, 73

per cent of the corporation is to be privatised, although the authorities have not set any precise timetable.

Other state companies which have gone the same way and are now publicly quoted include utilities such as the Saudi Public Transport Company and several regional electricity companies. But these rely heavily on government subsidies, both for operations and for the cost of their share prices, which depend largely on a fixed 15 per cent annual dividend guaranteed by the Government and therefore behave more like fixed interest bonds than equities.

In the future, candidates for flotation among public sector corporations will include Petromin, the state oil refining and mining corporation, the national airline Saudia, the Saline Water Conversion Corporation

may offer up to 40 per cent of its SR 750m capital, while NIC wants to sell 60 per cent of its SR 600m equity to the public.

The emergence on to the market of large quantities of new equity — albeit at a sedate and controlled pace — is central to the Government's strategy. The authorities believe that many more shares, in a much greater number of bands, are needed before real progress can be made towards the establishment of some kind of official stock market.

Of course, the Government has yet to state clearly that it wants an official stock market at all but all its actions, piecemeal as they are, appear to point that way. It is understood that an official committee grouping representatives from the Saudi Arabian Monetary Authority and the Ministries of Finance and Commerce,

register ownership and transfer of shares.

Each bank has chipped in with SR 1m giving the company initial capital of SR11m. When it gets going, it will for a fee, maintain share registers for the Kingdom's joint stock companies; in addition, it seems it will act unofficially as the "eyes" of the authorities in the market.

Officials say the authorities' caution on establishing a proper stock market stems from two main factors. The most obvious and often-remarked is Kuwait's Souk al Manakh trauma, in which the country's unofficial and unregulated stock market collapsed after huge speculation, leaving behind a mountain of post-dated cheques with a face value of US\$ 90bn.

At the very least, that has rammed home to the Saudis the need to plan any stock market extremely carefully. It is also signs that in some official quarters, the reaction goes further than that. "The lesson of Souk al Manakh is not that we should be scared of a stock market," said one prominent Saudi investor, a trifle impatiently. "The lesson is that we should speed up the creation of a well-organised market."

In any case, say people of this school, the Kuwaiti experience has limited relevance for Saudi Arabia, given that post-dated cheques are illegal in the Kingdom.

Perhaps more telling overall is the Government's concern at what it sees as excessively concentrated share ownership in Saudi Arabia. Those who are familiar with the unofficial market say that only a very small percentage of shares actually changes hands on a regular basis, reflecting the fact that the bulk is tightly held by a few people — exactly how few, nobody yet knows.

According to diplomats and bankers in the Kingdom, this offends the Saudi rulers' political inclination towards the small man. The Finance Minister, Mr Mohammed Abu Al Khail, has stated explicitly that the Government wants to ensure that all Saudi citizens have access to share trading.

Preference

New issue rules often require distribution of shares as widely as possible. This has been the case with the two SA issues, which give preference to the investor who bids for a small number of shares. When the sale of shares in United Saudi Commercial Bank, a new company formed last year by amalgamating the State Bank of United Arab Emirates, the Bank of Pakistan, Iran's Bank Mellat and Banque du Liban et D'outre Mer, was more than five times oversubscribed, the authorities ensured that equities were distributed among no fewer than 40,000 individuals, giving it probably the largest number of shareholders in the world.

Nevertheless, despite the Government's best efforts, big operators are still believed to be building up huge holdings, simply by buying out small shareholders at a hefty premium.

Thus, it seems that the next move towards the creation of an official market — which would presumably consist of giving banks the green light to start broking — will have to wait until the Government is confident that shareholdings are sufficiently diversified and there is enough freely available equity in the market to prevent overheating.

Optimists like Dr Dukheil reckon there could be some kind of official market in two years, probably based closely on the West German or Swiss models in which a fairly small circle of banks under tight supervision of monetary authorities, have the market virtually to themselves. Others think the jury is still out on the issue.

But a stock market is not all that is needed if private capital is to take a leading role in Saudi Arabia's development. There will also be a need for commercial institutions specialised in medium and long term lending. At present, since Saudi Investment Banking Corporation became a straightforward wholesale bank, there is not a single one. In effect, the longest-maturity commercial loans to be obtained in Riyadh are syndicated credits.

The central problem in developing commercial institutions in this area is the continuing large involvement of Government. Commercial banks simply cannot compete with the soft terms offered by the state's various specialised lending bodies, such as the Saudi Arabian Agricultural Bank, or the Real Estate Development Fund.

So, assuming that Saudis wish to invest at home — and on the evidence so far it would seem they do — there appear to be two main obstacles to the mobilisation of this vast pool of private capital: first, the Kingdom's relatively unsophisticated financial market, and second, the heavy hand of Government.

The second obstacle cannot for all sorts of political and financial reasons, be removed in a hurry. But when it is, Dr Dukheil, for one, is convinced that businessmen will adapt. "The private sector will read the signs very quickly. Those that cannot adapt will be swept out of the market."

Andrew Gowers

LEADING SAUDI ARABIA STOCKS

(Recent trading range of share price in SR)

BANKS	(in SR)	Western Elec. Co.	261-267
Bank Al-Jazira	650-690	Eastern Elec. Co.	195-205
Saudi American	1,000-1,020	MISCELLANEOUS	
Saudi British	620-690	Saudi Ceramics Co.	185-190
Saudi Hollandi	690-715	Saudi Edible and Vegetable Oil	215-225
Saudi Al-Frans	970-1,000	Saudi Fisheries	440-445
Saudi Carlo	690-715	Saudi Fertilisers	750-770
Riyadh Bank	660-690-67,500	Saudi National Shipping	110-115
Arab National	1,300-1,330	Saudi Livestock	170-180
United Saudi Commercial	515-530	Saudi Real Estate	320-340
Saudi Investment Banking Corp	350-370	Saudi National CEMENT	460-490
Arab Cement	1,200-1,230	Saudi Hotels and Resources	135-140
Saudi Damman	1,320-1,350	National Gas Industries Co.	222-227
Saudi Bahrah	190-195	Saudi Public Transport Co.	160-165
Saudi Kuwaiti	195-200	SAS Company	70-75
Qassim	270-290	Hall Agricultural Co.	250-255
Southern Cement	285-275	Nadee Ag. Co.	270-285
Yanbu	600-620	Tabuk Ag. Co.	150-155
Saudi Yamam	3,400-3,500		
UTILITIES			
Central Elec. Co.	195-205		

(SWCC) and even possibly the Arabian American Oil Company (Aramco).

There are considerable doubts within the private sector itself whether, on their own, shares in some of these companies will prove attractive propositions. Saudi, for instance, is known to make losses, and the SWCC is heavily dependent on state subsidy in carrying out the expensive process of seawater desalination at its 22 coastal plants.

In any case, the Government is likely to move quite slowly from now on in its flotation programme for fear of dumping too much equity on the market in too short a space of time, and thereby dampening investors' enthusiasm. Some observers believe that after the additional 10 per cent of SABIC has been disposed of, no further major public corporations will be up for sale for 12 months or more.

This is largely because at least two private companies are also planning big share offerings later this year: the Al Rajhi Company for Currency Exchange and Commerce, the money changer which is becoming joint-stock Islamic bank, and the National Industrialisation Company, the private group which is seeking to establish joint light industrial ventures with foreign partners. Al Rajhi

is currently studying the issue in detail.

At present, about 56 different titles are unofficially traded by a motley collection of "stockbrokers," some reputable, others less so; some little more than dingy little shops in the souks of Riyadh and Jeddah. The equities available include all the banks except National Commercial, which is a family owned concern, eight cement companies and a growing number of agriculture and service companies.

Although most of the shares were issued at a nominal value of SR100, their prices, quoted daily in the Saudi press, now vary between SR150 and more than SR1,000. Their total current book value is impossible to estimate accurately but could be substantially more than US\$ 10bn. Much of the trading is extremely informal; there is no regulation and there is certainly no co-ordinated attempt at efficient record-keeping.

The Government has already signalled its disapproval of the unofficial stockbrokers. A year ago, King Fahd decreed that only Saudi banks would be allowed to act as share brokers. Before that ruling can be implemented, however, the banks need to equip themselves for what will be an entirely new line of business. As a first step, they are currently setting up a commercial company which will



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SAUDI ARABIA 10

Finn Barre on the introduction of the '30 per cent rule'

Strict enforcement planned

WHEN the Korean contractors arrived in Saudi Arabia and started dominating the construction industry, Saudi was joked about the newcomers' self-sufficiency. The Koreans performed entire contracts in-house. They were claimed the Koreans brought all their supplies from Korea, including their food. Then, the joke goes, they sent everything back, including the leftovers.

Western contractors were rumored to be little better. Saudi businessmen bitterly resented companies that purchased their machinery and goods overseas, depriving Saudi agents of commissions and profits.

The Saudi businessmen voiced their complaints at a March 1983 meeting in Dhahran when they met Ministry of Commerce officials, including

the Minister, Mr Suleiman al Solaiman. Soon afterwards the 30 per cent rule was announced.

The rule requires all non-Saudi contractors on Government jobs to assign Saudi contractors at least 30 per cent of the work in their contracts. Contractors are also prohibited from importing machinery unless previously owned and used by them. Otherwise it must be purchased from a Saudi agent.

Additionally, contractors are required to use local transport for goods and personnel unless they are in-house transport capability. Contractors are also required to use Saudi insurance firms and banking services and rent Saudi-owned property. Catering for workers is also supposed to be provided by a Saudi firm.

Contractors knew the 30 per cent rule was on the way but when Deputy Minister of Commerce Dr Abdul Rahman al-Zamil announced the decree many of them said it sounded draconian. After the announcement, months passed before the Government issued any clarifications. Contractors were particularly eager to learn what constituted a Saudi-owned company and what a foreign company.

Directives

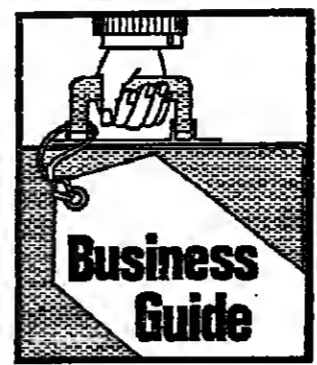
The rule had precursors. The Government frequently issued Governmented directives the more Saudi products should be purchased and that Saudi participation in contracts should be encouraged. Some forward-looking operators such as Aramco and the U.S. army corps of engineers had already taken steps to ensure Saudis received a share of their projects. Many however, felt that the extra cost paid for some Saudi materials and machinery made local purchase undesirable. In other instances nationalistic considerations dictated purchase of products from the home country.

None of those reasons satisfied Saudi Government officials. A lot of time and money had been invested in the early industrialisation and the Government was not prepared to see the local cement, brick and other building material manufacturers going out of business during hard times. A Council of Ministers ruling was passed in 1974 which required purchase of Saudi-produced materials.

As Mr Suleiman Al Solaiman has explained, shortages of building materials were common in the mid-1970s, which meant that the Government could afford a laid-back attitude. When it became obvious that a construction slowdown was in progress the 1974 council ruling was recalled and began to be enforced. The 1974 regulation was the basis for the 30 per cent rule.

The rules, now clarified by the Ministry of Finance defines non-Saudi companies as those which have less than 51 per cent Saudi participation in the equity.

It also applies to temporary partnerships between Saudi and foreign companies that have been formed to carry out specific projects. Some foreign companies have argued that a 30 per cent participation by a Saudi partner should fulfil the



Flag
Green background with, in white, the script "There is no God but Allah, and Mohammed is the Messenger of God" and, underneath, a white sword (symbolising war waged for the sake of Islam).

Area
At least 2,149,690 sq km (some boundaries/areas are undefined).

Population
Recent estimates vary between 9.8m, census taking is made difficult by nomadic sector and illegal immigrants.

Climate
Jeddah and region. In the summer (April-October) temperature range 18 deg C-38 deg C; humidity 90 per cent plus. December-January, 18 deg C in normal (extremes recorded: high 47 deg C, low 9 deg C). Dhahran and region: similar but summer maximum may reach 43 deg C. November-March temperatures slightly lower and sporadic thunderstorms occur.

Riyadh and region: summer temperatures can reach 50 deg C but during December-January night-time temperatures may even fall to near freezing point. Thunderstorms can occur between November and March. Dust storms can be troublesome May-September.

Rainfall: Riyadh - January-May average annual rainfall around 85 mm; Jeddah November-January 60 deg C-85 deg C.

Some inland areas may receive virtually no rainfall. There are no permanent rivers but in south-western regions eg. Asir, annual rainfall of around 100 mm supplies deep "wadis" and sub-tropical vegetation.

Time
GMT + 3.

Language
Official: Arabic. Other: English.



The old fort in the centre of Riyadh

Entry requirements
Passport: required by all except pilgrims (with passes) and certain seamen. (Unexpired duration of passport must be at least six months beyond planned stay.)

Visa: required by all except nationals of certain neighbouring states.

Prohibited entry: nationals, visa-holders, Jewish travellers or those with evidence of travel in Israel; certain Yemenis.

(Note: entry requirements, particularly visa regulations are subject to periodic modification.)

Health precautions
Mandatory: yellow fever within six days of visiting infected area.

Advisable: anti-malaria in certain areas (but generally not in cities).

Banks
Main centre: Jeddah.

Head offices: Al Bank Al Saudi Alami, Al Bank Al Saudi Al Farsi, Al Bank Al Saudi Al Hindi, Al Bank Al Saudi Al Ingilizi, Al Bank Al Saudi Al Yabani, Islamic Development Bank, National Commercial Bank, Riyad Bank, Saudi American Bank, Saudi Cairo Bank, Saudi Arabian Monetary Agency.

Also: (HQ: Riyadh): Saudi British Bank, Saudi Investment Banking Corp., Arab National Bank.

Foreign branches: Arab Bank, Bank Mellat, Banque de l'Indochine et de Suez, Banque du Liban et d'Outre-Mer, Citibank.

Banking hours: 0830-1200 and 1700-1900 (Sat-Wed), 8.30-11.30 (Thur) (exceptions: Fri closed; hours may be reduced during Ramadan).

Government and business hours
Government offices: 0703-1430 (Thurs, Fri closed).

Commercial offices: 0700/0830-0900-1200/1330, 1630-1830/2000/2030 or 1430-1700, some offices work 0830-1630 (exceptions: Fri closed; hours may be reduced during Ramadan).

Tax restrictions
Restrictions: pharmaceuticals. Prohibitions: alcohol, arms and ammunition, narcotics, pig products, any trade contact with Israel or "blacklisted" entity or goods of Israeli origin.

Main development agency
Central Planning Organisation, Ministry of Planning, Riyadh.

Useful business addresses
Jeddah: Chamber of Commerce and Industry, PO Box 1264, Jeddah, (tel: 4025535/4024824; telex: 401006).

Ministry of Information
Riyadh: (tel: 4025500/4025512; telex: 200186).

PETROMIN (General Petroleum and Mineral Organisation): (tel: 4040444; telex: 201490).

Riyadh Chamber of Commerce and Industry, PO Box 596: (tel: 4040444; telex: 201054).

Royal Commission for Jubail and Yanbu, PO Box 5964: (tel: 4709700/4709828; telex: 201177).

Saudi Industrial Development Fund: PO Box 1148, Riyadh, (tel: 4033200).

(Note: correspondence to government departments in Riyadh is simply sent to the Ministry concerned, no further address, eg. PO Box number, is used.)

Immigrant workers
Estimates vary but are generally in the range: Yemenis, over 1m; Egyptians 150,000; Pakistanis 100,000; South Koreans 20,000; plus Europeans.

Embassies in capital:
Afghanistan, Algeria, Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Cameroon, Canada, Chad, Denmark, Djibouti, Ethiopia, Finland, France, Gabon, Gambia, German FR, Ghana, Greece, Guinea, India, Indonesia, Iraq, Ireland, Italy, Japan, Jordan, Kenya, Rep of Korea, Kuwait, Lebanon, Libya, Malaysia, Mali, Mauritania, Morocco, Nepal, Netherlands, Niger, Nigeria, Norway, Oman, Pakistan, Philippines, Qatar, Senegal, Sierra Leone, Somalia, Spain, Sudan, Sweden, Switzerland, Syria, Taiwan, Thailand, Tunisia, Turkey, Uganda, UAE, UK, USSR, Upper Volta, Uruguay, Venezuela, Yemen AR, Yemen PDR, Zambia.

International headquarters
Islamic Development Bank, PO Box 5825, Jeddah, (tel: 6458994/5; telex: 401187/401407).

Organisation of the Islamic Conference: Secretariat-General, Kilo 6, Mecca Road, PO Box 178, Jeddah.

Membership of International
GATT, ILO, IMF, OPEC, OPEC, UN, WHO, Arab Fund for Economic and Social Development, Arab League, Gulf Co-operation Council, Islamic Conference, Islamic Development Bank, World Bank.

Internal travel
Comprehensive domestic service operated by Sandia; total of 22 airports.

Road: 12,585 km highways and asphalted roads (1981); further 24,200 km rural roads.

Operation of bus services under development eg. Dhahran-Dammam; Mecca-Riyadh.

Rail: three classes; air-conditioning and refreshments available. Diesel rail cars, twice daily in each direction. Link Dammam and Riyadh (via Abqaiq, Al Hofuf, Ain Haradh, Al Kharij). Journey time guide: seven hours.

Broadcasting
Radio: national service in Arabic and English; external service in each language. Aramco operates an English-language service.

Television: state service gives 8 hours/day regional coverage; some areas also receive external television transmissions.

Have "yellow" number plates; generally considered advisable to ascertain official fare beforehand.

Car hire
International or foreign licence to be presented to authorities (women are not allowed to drive).

Insurance claims not legally enforceable and claims against insurer are settled informally. Source: World of Information's Middle East Review.

GAMA

GENERAL ARABIAN MEDICAL & ALLIED SERVICES LIMITED
A Health Care Company

General Arabian Medical and Allied Services Limited (GAMA) is a 100% Saudi company founded in 1978. Its objectives are to manage, staff and equip hospitals and health-care services in Riyadh, Jeddah and Yanbu. Its largest project is the new and prestigious King Khalid Eye Specialist Hospital in Riyadh, through a joint-venture with an American company.

Since its founding, GAMA has successfully managed over Saudi Riyals one billion (\$R 1,000,000,000) of hospitals and health-care services in Riyadh, Jeddah and Yanbu. Its largest project is the new and prestigious King Khalid Eye Specialist Hospital in Riyadh, through a joint-venture with an American company.

Through its successful hospital operation in Saudi Arabia, GAMA has gained a thorough knowledge of Middle East hospital management.

GAMA has been awarded and is in the final stages of negotiating a contract to provide consulting and recruiting services to the 600-bed Riyadh-Alkharj Military Hospital Programme.

The following are key GAMA contact addresses:

<p>Director GAMA Services Limited P.O. Box 41726 Riyadh 11531 Saudi Arabia Telex: 200805 GAMA SJ</p>	<p>The General Manager GAMA International Ltd 6 Duke of York Street London SW1Y 6LA England Telex: 8953742 Gameuk G</p>
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First test for offset system

FOREIGN COMPANIES winning large scale contracts in Saudi Arabia are likely to be faced with increasing pressure to reach offset agreements under which part of the work will be undertaken by local suppliers.

The strategy is being pioneered in the negotiations for the award of the U.S.\$3.94bn command and control system for AWACS surveillance, aircraft. Under the contract, the successful bidder will be required to invest \$525m in joint ventures with Saudi companies.

Three team of U.S. companies are competing for the U.S. Federal Military Sales Office-administered contract: Boeing and Westinghouse; ITT and Litton; and Hughes and Collins.

The offset programme is designed both to invest more money in the economy and to encourage the transfer of technology know-how. Consequently, the Government frowns on labour-intensive operations, but approves projects in the mining, food processing, chemicals and manufacturing fields.

Expertise

The successful American company will have to invest 30 per cent of the money in ventures and supply management, advanced technology, and marketing expertise.

Once the Offset Committee, composed of the Ministry of Commerce, Finance, Planning, Industry and Electricity, and Defence, approves the project and Saudi partners, funds will be raised by government loans and floating shares. Up to 80 per cent of capitalisation will be provided by organisations such as the Saudi Industrial Development Fund (SIDF).

Although the Government is providing incentives, it makes clear that it will not guarantee the joint ventures. Officials expect, however, that the joint ventures will be profitable.

Although offset requirements are new in the Kingdom, the Saudis stress that offset regulations are being developed throughout the developing world.

The Command, Control, Communications and Intelligence Systems (C3I) provides an ideal test-bed for the offset programme. The AWACS C3I is expensive and it is too far advanced for local firms to tackle.

The main difficulty for the U.S. companies in the offset programme is identifying areas for profitable joint ventures.

One firm expected to play a role in the offset joint ventures is the National Industrialisation Company

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SAUDI ARABIA 11

Michael Field reports on efforts to improve the economic and social status of the Shias

Relaxation of controls eases the tension



In Saudi Arabia, relatively few women are seen outside the home

A woman in a man's world

I HAD prepared myself for just about anything. I had packed flowing black garments to cover all bits of my anatomy and dress. I had bought a new edition of War and Peace to fill in the long evenings and picked up \$500 in travellers' cheques for emergencies.

In the end, I need only have bothered about War and Peace. A Western woman visiting Saudi Arabia will be pleasantly surprised to find that she will be treated very similarly to her male colleagues, if not better.

So few women are seen outside the home that the entrance of a woman into a Saudi restaurant or office is an occasion for all the men present. But the looks you will attract will not be lascivious, but respectful, verging on awe. It's great for the ego. There are a few things to keep in mind, however. As only men hold jobs in Saudi Arabia, you won't find any women's loas in the offices you visit. As a result, never go into a hotel or a friend's residence without considering the use of its facilities.

Women can't drive in Saudi Arabia and in general aren't supposed to ride in cars with men who are not their husbands. As my husband and I were in London, I broke this rule daily. I was never stopped or questioned and I think this taboo is loosening. It is important to carry your passport and other documents with you, however, when you are driving about with other foreigners.

When visiting the gold souks and other open air

shopping centres, it wouldn't hurt to wear a black garment or scarf to cover your shoulders and head. The Saudi women wear black veils pulled tightly over their heads and tucked under their chins, in addition to the robes. I didn't follow suit for fear of losing my way under the black cloth. The souk I visited was patrolled by an elderly member of the religious police who ignored me and the other western women nearby.

You will often find yourself eating on your own, behind a screen, if your guests invite you to a staff canteen. I convinced by hosts to join me behind the screens and found we all received better service as a result. The screen business disappears outside Riyadh, as do the problems about driving in the front seat with a husband.

I couldn't help querying a young Saudi woman who sat next to me on an internal flight whether she minded wearing the robes and dealing with all the restrictions. She smiled and said: "I have two reactions. One says it is more comfortable not to bother about my looks when I go out. I can just do my shopping in peace."

"The other says, I know this cannot last. As more girls go to university and want to have jobs, I think things will change. If we want to be a modern country, they will have to."

For a western woman, the time is ripe to visit Saudi Arabia.

Carla Rapoport

FOUR peaceful years have passed since the riots which shook the oasis of Qatif in November 1979 and February 1980. The violence involved members of the schismatic and mystical Shia sect of Islam, who number about 300,000 in Saudi Arabia and make up 30 per cent of the population of the Eastern Province.

For both the Saudis and the world outside the riots were disturbing. The first outbreak coincided with the famous occupation of the Grand Mosque of Mecca by Juhayman Mohammed al Otabi, and, like that episode and the minor riots and demonstrations that had occurred in Bahrain since the Iranian revolution of February 1979, it showed that the Arabian oil states might not be as stable as they appeared to be.

In particular, the Shias seemed to pose the threat of sabotage to Saudi oil installations. They provide more than a third of the workers employed in oil production. The oasis of Qatif, Sehah and Safwa, which is entirely Shia and has a population of some 150,000, extends half-way across the neck of the Ras Tanura peninsula, through which pass most of the Kingdom's oil exports.

Since the riots subsided there seem to have been no political incidents—either in Qatif or in the bigger Hasa oasis, which is about half Shia.

Iran continues to broadcast subversive radio propaganda to Arabia; there is even a television programme, in Arabic, beamed to the area.

Three years ago the broadcasts commanded much attention, because Iran was felt to be a truly Islamic regime which would restore the Muslim world to its lost glory. Now the brutality of the revolution has caused it to lose much of its allure.

"The problem of the Shias," remarked a very able and sympathetic Saudi somewhat optimistically earlier this month, "is a matter of civil rights rather than politics." He went on to suggest that if the Shias were treated with respect and if a real effort was made to develop Qatif—as should have happened long ago given the make up of the population—they would have much the same attitude to the regime as other Saudis.

It is easy for Westerners to exaggerate the degree of animosity that exists between Sunnis and Shias. Doctrinally the only major points that

separate the sects concern the succession to the Caliphate after the death of the Prophet in the eighth century and the authority which the Shias give to their ulamas—religious leaders. Whereas Sunni ulamas are simply learned men, the Shia divines have a spiritual authority. They are regarded as being closer to God than ordinary mortals.

The most conspicuous and in orthodox eyes offensive differences between the two sects are matters of the Shias' rituals and outlook on the world, which reflect their history as an oppressed minority. Shias emphasises the messianic and pathetic aspects of religion. According to one of their own number, its adherents can be "a miserable self-pitying" people.

Where their rituals are tolerated, in Iraq and Bahrain, during the month of Moharram, they hold processions and perform plays which celebrate the tragic and bloody martyrdom of their early saints. Gory processions of chest beaters and hack flagellants troop chanting through the streets.

Most Muslims regard these processions merely as bizarre curiosities. The Sunni inhabitants of the Eastern Province, who come originally from central Arabia, mix easily with the Shias.

Marriages

There are Sunni-Shia friendships, though not marriages. In some cases people have converted from one sect to another. A member of the Ajaji family, which has a Sunni branch in Bahrain and a Shia branch in the Hasa oasis, has said that the religious divisions in the family's ranks occurred 100 or 200 years ago when some of its members left Nejd and settled by chance in a mainly Shia village in Hasa. Over a generation or two this branch gradually adopted Shia customs and Shia ways of religious thinking.

Sunnis employ Shia workers—and the more enlightened give them time off for Shia holidays. In Aramco and in the University of Petroleum and Minerals, both of which have Shias among their senior staff, sectarian differences are scarcely noticed.

There are Sunni-Shia business partnerships. Ali Seibati, a prominent Shia merchant who



The pace of development in Shia settlements is quickening. Above an irrigation project at Hasa oasis.

political and legal establishment. The first two governors of the province, the terrible Abdullah bin Jiluwi and his equally severe son, Saud, never missed an opportunity to persecute them.

Even in the more enlightened times of the last decade only two Shias have attained senior government positions. One is Jamal Jishi, who has been the succession Director General of the Jubail project, vice-governor of the General Electricity Corporation in Riyadh, and, since Dr Ghazi Aligosaibi formally took over the Ministry last autumn, Deputy Minister of Health. The other is Jaail al Saif, who is an assistant minister in the Ministry of the Interior and has the important job of authorising the issue of block visas.

Jurisdiction

The Shias have been made subject to the jurisdiction of courts practising the strict Hanbali interpretation of Sharia law, rather than to their own Jaafari courts. The only exceptions concern matters of inheritance and some other family issues, where Hanbali judges send cases for decision by Government-approved Shia officials.

Needless to say public manifestations of Shia religious practices and ritual, such as brightly decorated mosques and Moharram processions, have been banned—at least until very recently.

After the riots the Government acted to lessen Shia resentment. Prince Ahmed bin Abdul-Aziz, the Deputy Minister of the Interior, and King Khalid (twice) visited the Eastern Province and listened to Shia notables. Other senior Saudi officials in 1980 spent much time investigating the grievances of the sect and concluded that the Shias disliked the Eastern Province Governor, the silent Abdul-Mohsin bin Jiluwi (the younger brother of Saud), felt neglected and were reluctant to accept loans from the Government.

Now it is known that both the Minister of the Interior, Prince Naif bin Abdul-Aziz, and the director of Saudi external security, Prince Turki al Faisal, are very aware of the issue of Shia civil rights and concerned about it.

There has been talk of replacing Abdul-Mohsin bin Jiluwi, who is not only less frightening than his predecessors but also much less impressive. Candidates are Prince Khalid al Faisal, who has a bin Jiluwi mother and has been highly successful as governor of the province of Asir, and Prince Ahmed bin Abdul-Aziz, who is a full brother of King Fahd and Prince Naif. A decision of this issue probably awaits the long-promised provincial government legislation.

A new governor of Qatif town, Mubammad as Sherif, was appointed in 1980. This governor is a Sunni of the

Qahtan tribe, but in Shia eyes he is an enormous improvement on his predecessors. He is able and intelligent, respects the elderly and has won the approval of the Shia religious leaders.

More recently, in the spring of 1983, a new commander of the National Guard in the Eastern Province was appointed. He is Prince Mishari bin Saud bin Abdul-Aziz, an intelligent modern-minded personality and one of the few men of ability among the numerous sons of the late King Saud. Apart from being good for the Shias—the Guard was used to quell the riots in 1979 and 1980—the appointment makes a step towards healing the divisions in the royal family that were caused by the deposition of Saud bin Abdul-Aziz in 1964.

Processions

The appointments have been accompanied by a more relaxed approach to the Shia festivities in Moharram. Unofficially, very modest processions now seem to be permitted. The National Guard, which is an almost entirely Nejd force, is kept away from the streets during this highly emotional period.

There is also a new emphasis on the development of Qatif. Fairly large scale government spending in the oasis began one or two years before the riots but the pace of development has quickened since.

In Qatif and on Tarut island, which is joined to the oasis by a short causeway, there are large numbers of new houses, mostly financed by the Real Estate Development Fund. There is an estate with free housing for low income earners and an attractive new training centre for electricians and mechanics. Other recent projects have included road improvements, a sewerage system, schools and a hospital.

Qatif today does not look very different from other Saudi provincial towns. A telling comparison can be made on Tarut island, where there is no obvious difference in wealth or development between the town of Tarut itself, which is Shia, and neighbouring Darin, which is Sunni.

Michael Field's book, *The Merchants—the Big Business Families of Saudi Arabia and the Gulf*, is to be published by John Murray at the end of June.

OMAR K. ALESAYI GROUP

Omar K. Alesayi & Co. Ltd. Head Office, P.O. Box 8361, Jeddah 21482, Saudi Arabia.



The Omar K. Alesayi Group of Companies is highly diversified with a range of interests from trading through industry to agriculture. Outlined below are details of the Group's major divisions, their achievements and activities.

CONSTRUCTION

The construction division has been directly involved in the building of airports, townships, housing, and shopping complexes. Examples include Taif Airport, The Ministry of Finance in Jeddah, and an official residence for the Royal Family in Madinah. The division includes joint-ventures with major international contracting and construction companies.

TRADING

This division is very active in the importation, distribution and sale of a whole range of products including cars (the Group is the largest Mitsubishi dealer in the Middle East), buses, trucks, spare parts, fertilizers, seeds, general household wares, textiles, foodstuffs, fashion, cosmetics and perfumes.

INDUSTRY

In support of the belief that industry is the foundation of Saudi Arabia's future prosperity, the Group has made substantial investments in a number of industrial projects including: The bottling of mineral water and soft drinks (including 7 Up and Canada Dry); the manufacture of carpets, sponge, GRC panels and Hollow-core ceilings and floors; and the refining of vegetable oil and ghee.

TRANSPORT

The Group maintains a large fleet of trucks a majority of which are used for the transportation of cement.

BUILDING MATERIALS

Allied to the construction boom which has taken place in Saudi Arabia the Group has been a major supplier of steel bars, timber and cement as well as a whole range of other building materials.

FOODSTUFF

The importation of bulk foodstuffs has been of prime importance to the Kingdom over the years and the Omar K. Alesayi Group has maintained a substantial position in this field importing and distributing such commodities as barley, rice, sugar, edible oils and sorghum.

AGRICULTURE

A substantial acreage of agricultural land is owned by the Group to which it grows vegetables, wheat, barley and corn. In accordance with the Saudi Government's wish to reduce its dependence on imported food, further areas will be brought under cultivation on the satisfactory completion of the current water drilling programme.

MACHINERY

The machinery division has four sections; Power Generation, Construction Equipment, Handling Equipment and Agricultural Machinery and Implements. Between these sections are handled generators, excavators, forklift trucks, contractors plant, tractors, irrigation equipment, pumps and pump engines, and agricultural implements from a range of international suppliers.

DECOR

This division is active in the design and furnishing of office and residential buildings throughout the Kingdom.

HEALTH AND LEISURE

This relatively new division has already become an important supplier of fitness equipment, spas, jacuzzis and saunas.

TENDERS

For many years the Group has been a major supplier to the Saudi Arabian government and to government agencies. All such supplies are handled by this division either in close co-operation with other members of the Group or by direct international purchase.

SERVICES

As the demand for professional services has developed in the Kingdom so the Group has expanded to meet this need. Presently interests are maintained in insurance, travel and tourism, and, in association with an international company, the provision of first class maintenance services to the owners of machinery and equipment.

INVESTMENTS

To enable the Group to maintain a close watch on the soft commodity markets around the world a commodity trading company, SWITRAX (telex 23661 SWIT CH) has been established in Geneva with Hayel Saeed of North Yemen. This company ensures the importation into the Kingdom of all commodities at highly competitive prices.

Addresses: Jeddah, P.O. Box 8361, Tel: 6478501, Telex: 400895 OKACO SJ. Riyadh, P.O. Box 6456, Tel: 4773660, Telex: 201163 OMACO. Branches: Dammam, AlKhobar, Khamis Mushait, Makkah, Madinah, Tabuk.

ISLAM

PRINCE TURKI AL FAISAL, one of the highly articulate sons of King Faisal and director of Saudi external intelligence, has a small game which he plays with Westerners.

He tells them that there are many simple people in Saudi Arabia who believe that the only reason they have oil is that they have been good Muslims and have therefore been favoured by God. The prince watches his visitors smile and then adds that he believes the same himself.

Islam is the dominant force in the life of Saudi Arabia. The original purpose of the state was the

propagation of a purer form of Islam, and officially—and to a great extent practically—the state remains dedicated to this cause today.

The King's speeches are thick with references to the Quran. The words *Bismillah* or *Rahman* or *Rahim*, "In the name of God, the Merciful, the Compassionate," appear everywhere on the title page of the national plan to the test pattern on the television.

The lists on this page describe Islamic institutions and officials and define religious terms that are often heard in Saudi Arabia. They have been compiled by Michael Field.

The legal and religious institutions

OFFICIALLY in Sunni Islam there is no ordained religious hierarchy endowed with spiritual authority. In practice in Saudi Arabia the religious leadership is constructed along slightly more formal lines. The Kingdom has a number of religious and legal institutions which are often confused with each other. The most important of these are listed below.

Higher Council of the Qada (Judiciary): an extremely important institution, which acts as a supreme court and supervises the ordinary Shariah courts beneath it.

The Higher Council is the unofficial successor of the last Saudi Grand Mufti, Sheikh Muhammad bin Ibrahim Al as-Shaikh, who died in 1969. At the time of the Grand Mufti's death King Faisal did not want to have only one man as leader of the Saudi religious establishment—the Ulema.

This was mainly because he did not want to appoint to the post Shaikh Abdul-Aziz bin Baz, who had recently quarrelled with the King over his ruling that the earth was flat. In these circumstances the institution of a Higher Council composed of several eminent religious leaders seemed an expedient step.

The leader of the Council until his death in September 1982 was Shaikh Abdullah Humayid. No successor has yet been appointed.

Higher Ulema Council: not to be confused with the Higher Council of the Qada. The Higher Ulema Council considers broad matters of Islamic affairs and issues *fatwas* (legal opinions). It has no judicial authority and is not a prominent institution.

Higher Institute for the Qada: a training school in Riyadh for lawyers. The Higher Institute takes those graduates of the numerous Shariah colleges (equivalent to high schools) who wish to become lawyers—as opposed to Shariah college graduates who wish to become teachers in schools and universities. The Institute awards MAs and PhDs. When men have passed out of the Institute they go to work for qadis (judges) and after a time are appointed junior qadis themselves. Shariah colleges: high schools for

religious learning, under the authority of the Ministry of Higher Education. There are numerous Shariah colleges in Saudi Arabia, with students who are aspiring to become either teachers or judges. It is members of these two professions who make up the core of the religious establishment.

Ministry of Justice: concerned with the financing and administration of judicial institutions. The Minister is Shaikh Ibrahim bin Muhammad bin Ibrahim Al as-Shaikh.

Department of Religious Research, Iftah, Dawa and Guidance: headed by Sheikh Abdul-Aziz bin Baz, who is the senior member of the Saudi religious establishment.

The Department is in charge of missionary activity (Dawa-Islamic Call), which is aimed mainly at improving Islamic teaching in Africa and the Far East.

In Saudi Arabia its most conspicuous activity is the giving of legal opinions (*fatwas*) on issues that are placed before it by Saudi citizens or the Government. A subject on which it has often been asked to pronounce recently is insurance, which devout Muslims see as a presumptuous attempt by man to provide against the financial consequences of God's will.

A statement issued by Sheikh Abdul-Aziz at the beginning of April was entitled "A Warning against Travelling to Countries of the Heretics and the Danger which such Trips Constitute for Faith and Morals." The statement spoke of the corruption that could stem from visits to the West, where youths could attend dancing parties, discotheques and dancing contests with girls at night clubs and other suspicious places.

Presidency of the Haramain: under Sheikh Sulaiman bin Obaid. The Presidency is responsible for all matters to do with the mosques of Mecca and Medina, together known as the Haramain. Mecca is the birthplace of the Prophet and the principal centre of Islamic pilgrimage.

Medina is the city which sheltered the Prophet when he left Mecca and in which he founded the first Islamic state. The Prophet is buried in Medina, as are

several members of his family: Hamza, his uncle, Fatima, his daughter, and Aisha, his principal wife.

Members of the Prophet's family are revered by the Shias, which is why Medina is a particularly important centre of pilgrimage for them. There are Shia workers from Qatif in the date groves of Medina. Contrary to common belief, no Shia Imams are buried in Medina.

Ministry of Haj and Awqaf: administers the Haj (the pilgrimage) and charitable endowments (*awqaf*—singular *waqf*). *Awqaf* are given to finance mosques and an enormous variety of charitable causes—schools, homes for divorced women, hostels for poor foreign students.

Committees for the Commendation of Virtue and the Condemnation of Vice: (*Haf'ah al Amr bil Maruf wa Nahl' an al Munkar*): headed by an autonomous presidency under Sheikh Abdul-Aziz bin Muhammad bin Ibrahim Al as-Shaikh, the brother of the Minister of Justice. "Committees" is a somewhat outdated expression, because the members, who were once volunteers, are now government employees, and the regional offices are now thought of more as branches of the Presidency in Riyadh than as independent committees.

The members of the committees (known as *mutawwa*) have a mentality that is a cross between that of vigilantes and social workers. They make it their job to see that people stop work for prayers and behave in a dignified way in public. The committees provide an outlet for the enthusiasms of the young Islamists—fundamentalists.

Islamic University: in Medina. The religious university for students of the whole Muslim world, under the supervision of the King.

Umm al Qura University: in Mecca. Formerly a branch of King Abdul-Aziz's university in Jeddah, independent since 1981. The university has a strong religious faculty and a bias towards humanism, but it is not completely dedicated to Islamic learning.

Imam Mohammed bin Saud University: in Riyadh. Like Umm al Qura, the Mohammed bin Saud University has an Islamic bias, specialising in law, religious doctrine and Arabic literature.



At the heart of the Muslim world: a pilgrim places his head inside the protective silver sheath to kiss the black stone placed at a corner in the Kaaba in Mecca by the Prophet Mohammed.

A guide to Islamic terms and officials

'Alim: A learned and respected teacher or lawyer. A man is not appointed an 'alim—the word does not denote a title or position—he comes to be accepted as an 'alim by those around him. The plural of 'alim is *ulema*, though the expression *ulema* is normally used to denote the religious establishment as a whole.

Imam: Literally "he who goes before"—the man who leads the prayers. Normally the word applies to the regular leader of prayers in a mosque. This man will probably be a relatively uneducated person who will defer to an 'alim or other teacher or lawyer; if he sees one present.

An Imam can also be the leader of the community. King Abdul-Aziz was often referred to as "the Imam" as was his ancestor, Muhammad bin Saud, the founder of the first Saudi state. Both of these men led the prayers of their followers.

In Shia Islam the word Imam again means the leader of the community but refers specifically to the men whom Shias regard as the 12 successors of the Prophet. These were all direct descendants of the Prophet and have the status

of major saints. **Muezzin:** The man who calls the people to prayer. The muezzin and the Imam together make up the establishment of a mosque. In Saudi Arabia they are government employees.

Khatib: The man who gives the sermon (*khutba*) on Friday (*Jumma*). Sermons are given by teachers or lawyers—not by the regular Imams of the mosques.

Sheikh: Literally an elder—the root of the word is "age". In Saudi Arabia the word is used either as a general term of respect or to mean "teacher". The *Al as-Shaikh*—"the family of the Sheikh"—is descended from Muhammad bin Abdul-Wahab, the sheikh/teacher who was espoused by the Imam Muhammad bin Saud in the early 18th century. The *Al as-Shaikh* is the oldest ally of the royal family and has often married into it.

Muwahhid: Unitarian. The expression comes from the word *tawhid*—monotheism or unitarianism. **Muwahhidin** is what the strict Muslims of Saudi Arabia call themselves. Westerners refer to them as Wahabis (after their reformist teacher, Muhammad bin Abdul-Wahab), which is ironic, because the main tenet of unitarian doctrine is that only God should be worshipped—not members of the Prophet's family or other holy men.

Quran: The Muslim holy book—the actual words of God as recorded by the Prophet Mohammed.

Hadith: the day to day actions and sayings of the Prophet, repeated by his friends and written down in the two centuries after his death.

Sunnah: the body of Islamic learning made up of the Hadith, together with the teachings from the Quran and the Hadith of the founders of the four schools of Islamic jurisprudence (see below).

Sharia: Literally "the way"—the rule for all aspects of life. Islamic law based on the Quran and the Hadith. The *Sharia* was interpreted in the early days of Islam by four jurists—in chronological order: Abu Hanifa al Nu'man, Malik bin Anas, Muhammad bin Idris as Shafi, and Ahmed bin Hanbal. These men founded the Hanafi, Maliki, Shafi and Hanbali schools of jurisprudence.

The school taught by Muhammad bin Abdul-Wahab and used since in Saudi Arabia is that of Ahmed bin Hanbal. This is the strictest of the four schools, though it is quite eclectic. Hanbali judges can draw on the opinions of judges of other schools.

The Shias of the Eastern Province espouse the Jaafari school of jurisprudence which is very different from the Sunni schools.

Fatwa: a legal opinion. The process of giving legal opinions is *Iftah*.

Dawa: preaching or Islamic call. In Saudi Arabia the term normally refers to missionary activity. In Iraq the banned Shia political organisation is the *Dawa Party*.

Shura: consultation. It is part of Islamic doctrine that rulers should consult their people in order to obtain consensus (*Ijma'*) in the Muslim community (*Umma*).

Salat: prayers. There are five prayers in the day: *Fajr*—at sunrise, *Dhu'r*—at midday, *Asr*—the afternoon prayer when the sun is half way between its height and setting, *Maghrib*—when the sun falls below the horizon, and *Isha*—when it is completely dark.

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